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# Daily Report

# Latin America

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# Daily Report
## Latin America

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## Mercosur Presidents Confirm Commitment to Democracy

*PY0808231395 Asuncion ABC COLOR in Spanish 6 Aug 95 p 2*

[FBIS Translated Text] The Eighth Mercosur [Common Market of the South] Summit ended yesterday with all four members fully supporting the principles of democracy, which are considered the fundamental pillars of the integration process, according to the joint communique that was signed by the four countries' presidents. Carlos Alberto Gonzalez, Liberal [Authentic Radical Liberal Party] senator and head of Mercosur's legislators group, participated in the legislators' meeting with the heads of state. He was even more adamant in pointing out that any country that returns to the dictatorial system will be expelled from Mercosur.

There was no decision on Bolivia and Chile's incorporation, but the presidents confirmed their decision to conclude the integration negotiations as soon as possible. The presidents also established the bases for negotiations with the EU in order to establish an interregional framework agreement before the end of this year.

The eighth summit was attended by Argentine President Carlos Menem, Brazilian President Fernando Henrique Cardoso, Uruguayan President Julio Maria Sanguinetti, Bolivian President Gonzalo Sanchez de Lozada, and the host, Paraguayan President Juan Carlos Wasmosy. [as published]

In the communique, the presidents recommended quick ratification of the Ouro Preto Protocol establishing Mercosur's institutional structure, in accordance with the progress in the integration process. In this context, Juan Carlos Wasmosy advocated the creation of the supranational organizations that will give more institutional consistency to the treaty.

The chiefs of state considered as a positive aspect the notable growth in the flow of trade between the four countries, which has been stimulated with the conclusion of the program to free up trade and with the elimination of the non-tariff barriers. According to the communique, this growth reflects economic agents' confidence in Mercosur, and is also concrete proof of the importance that the private sector has acquired in the integration process.

The presidents agreed to voice their satisfaction with the implementation of the customs union on 1 January 1995, and acknowledged the need for it to be continually strengthened through full enforcement of the already approved mechanisms and instruments of the common trade policy and through rapid conclusion of the studies that are currently under way.

Within this context they stressed the importance of the upcoming meeting of the Common Market Group, which will examine the measures to be adopted by the member states with the objective of guaranteeing free circulation of intrazonal goods within the framework of the Mercosur agreements.

The chiefs of state highlighted the beginning of the activities of the Mercosur Trade Committee, an organization that comes under the Common Market Group, which is responsible for overseeing the implementation of the common trade policy instruments and for submitting proposals to the higher organizations.

They underscored the efforts made by the member states to achieve macroeconomic stability, which is an essential condition for the success of integration, according to the joint document.

In an evident reference to the recent problem between Argentina and Brazil, the chiefs of state congratulated themselves for the solidarity, ability to reply, and flexibility that the four member countries demonstrated in facing realistically the crucial circumstances that had arisen, in order to advance in the integration process.

The presidents reiterated the political will for the competitive and full economic insertion of Mercosur, and within the framework of the common trade policy they will therefore promote a dynamic participation in the international forums and agreements that pursue these objectives.

## Paraguay's Wasmosy Addresses Mercosur Summit

*PY0808161295 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish 1711 GMT 5 Aug 95*

[Speech by Paraguayan President Juan Carlos Wasmosy at the Common Market of the South Summit at the Convention Hall of the Paraguayan Central Bank in Asuncion — live]

[FBIS Translated Text] Dear presidents, ministers, congressmen, union leaders, diplomats, high-ranking civilian, military, and church officials, ladies and gentlemen.

My people and my government are honored and pleased to receive such illustrious visitors and convey their best wishes that this Mercosur [Common Market of the South] summit will make the most appropria[illegible] decisions to further the economic and social develo[illegible]nt of our peoples. The strengthening of our democ[illegible] and the full respect for the state of law are absol[illegible] essential for the attainment of this development. [[illegible]use]

This Mercosur summit in Asuncion, ma[illegible] the end of Paraguay's six-months pro-tempore pre[illegible]ency of the

Mercosur. This first half of 1995 has been particularly significant because it came right after the implementation of the customs union foreseen in the Treaty of Asuncion.

Experience has taught us that a presidency is not just a honorary or nicely-sounding title. On the contrary, it implies active responsibility which demands a commitment from those who hold it. It requires providing feasible proposals and extreme caution.

When one comes to the end of such a complex task as this, it is advisable for the Mercosur pro-tempore president to make a detailed review of the developments during this six-months term in office and to be perfectly honest in the conclusions. I will try to do that.

We have repeatedly recalled that the Treaty of Asuncion is an evolving political mechanism. It is a program with a momentum of its own which will be developed day by day over many years. Thus, it is necessary to periodically check our course, ensure we are on the right track, and to take stock of our decisions to prevent omissions, shortcomings, or distortions.

Whenever the president of this process makes an evaluation of this process — which should be ongoing — he should speak directly and sincerely, and criticize whatever must be criticized. Neither systematic criticism nor excessive leniency is healthy.

The technical aspects of the implementation of the Treaty of Asuncion were reviewed recently. Based on that information I would like to make a political evaluation of the situation at the time of handing over the pro-tempore presidency. I believe that our common market is in good shape. The Common External Tariff and the elimination of customs and non-customs barrier for products manufactured in member countries were implemented in keeping with the timetable set forth in the Treaty of Asuncion.

It is true that both sets of measures will be temporary, as is only natural and prudent, and the regulations provide for the necessary exceptions and adjustment mechanisms. We must not be accused of procrastinating or hesitating as far as customs tariffs are concerned. The member states are perfectly aware of our decisiveness and of the political and technical obstacles that we have had to overcome.

I am pleased to say that the first six months following the implementation of key customs and non-customs measures have been marked with fewer conflicts than in the case of similar endeavors.

I must mention that the establishment of Mercosur and the customs union are having positive effects in my country. Paraguay's production, restricted by the size of its domestic market, now has a real opportunity to grow because there is a common market. This is confirmed by increased exports to the three other countries. The increased imports from Mercosur countries helps to enhance our common trade.

To conclude this subject, I would like to point out that the elimination of customs barriers and the implementation of the Common External Tariff has been accomplished faster than in any other integration process. Mercosur gets high marks in any comparison of effectiveness.

Those who closely follow our progress have said that during the past six months, there has been at least one worrisome incident which had to do with the interpretation of the regulations on the lifting of non-customs barriers.

I do not believe we ever expected our difficult and innovative approach to be free of adjustment crises. That would have been unrealistic. There have been obstacles, but in any integration crises are natural growing pains in the quest for coexistence.

Temporary conflicts that may crop up are not significant. The important thing is for those involved in the crisis to able to resolve it through dialogue. In these cases, fair solutions help to strengthen the budding integration system.

After voicing my satisfaction with regard to the progress achieved as far as customs tariffs are concerned, I would like, at the same time, to voice some concern over the fact that a common market must seek other paths and other objectives as well. Any process that stops, rolls back. Given what we have accomplished and implemented, I believe we must look toward the future. On this subject, I would like to comment. As I have said at the summits in Colonia, Uruguay and Ouro Preto, Brazil, we must now devise a well-designed program for a gradual coordination of our macroeconomic policies, to be implemented simultaneously with our programs to eliminate customs barriers. This is what the Treaty of Asuncion says.

I would like to add that without coordinating our macroeconomic policies, the progress we have made as far as customs tariffs are concerned would be just an illusion.

I want to make this clear: I am not pressuring for an urgent discussion of the issue. This is not the case of establishing strict timetables or of betting on short deadlines which we will be unable to meet. It is, however, necessary to define feasible stages and undertake prudent commitments so that nothing will be left to chance. At the same time, member should not feel the pace set is too fast for them.

We must define the phases to be followed for the fulfillment of Article 5 of the Treaty of Asuncion because without it the Mercosur would run the risk of becoming just a figment of imagination, just another unrealized project in our continent.

I raised the issue of solidarity at the Buenos Aires summit one year ago. On that occasion, I pointed out that this principle should be included in our relations and in the framework of Mercosur to close the development gaps between our countries.

I have urged us to abide by the spirit and the letter of the treaty which calls upon us to speed up the process of economic development with social justice, based on the understanding that Mercosur will not be the harmonious association we want it to be unless we eliminate the pockets of underdevelopment, unless we fight poverty, unless we increase the purchasing power of poor people for the benefit of all.

Today, I would like to reiterate that essentially ethical call which has undisputable economic and political repercussions. I would like to repeat the proposal I made one year ago to create an expert commission to study the ways and means to make our Mercosur a solidaristic institution. Even though this concept and its ethical, economic, and political implications are part of the treaty, we need to actually grasp it as statesmen. Overcoming underdevelopment is a challenge for Mercosur and it should be one of our priorities if we want to build a homogeneous integration system.

Let us enthusiastically seek the mechanisms to make solidarity the means to achieve a balanced and harmonious progress of our peoples. Solidarity should not be restricted to what the wealthier states can do for those of lesser development, it should also be aimed at settling our debt with the poor, the neglected, the Mercosur workers.

Article 1 of the Treaty of Asuncion provides for the free circulation of productive elements which undoubtedly includes manpower, labor.

I am not asking for solidarity for the poor regions alone. I am also talking about the right of the people, especially workers, from all four countries to circulate freely within Mercosur. Should not come to pass the very essence of the Mercosur would be lost.

I want to make it clear, however, that when I talk about free circulation I am also talking about equal treatment, the freedom to settle, nondiscrimination against citizens from other Mercosur countries, and the consequences of these attitudes for education, employment, and social security, to mention just a few.

Messrs. Presidents, let us not delay in taking steps in this direction, let us look for ways and means, and pass laws. To act in keeping with this principle will send a message to our people that we are not building a cold, inhuman machine which is sometimes difficult to understand, but rather a mechanism for the coexistence of the four countries, a mechanism whose top priorities are human beings and the struggle against poverty. [applause]

This has been done before. Let us humbly learn from past examples and established precedents.

We could say that Mercosur's institutional system received a strong backing last year through the signing and implementation of the Ouro Preto Protocol which was negotiated in keeping with Article 18 of the Treaty of Asuncion. Real and significant progress was thus achieved, but negotiators displayed praiseworthy maturity and prudence by leaving open the possibility of institutional reviews in Article 47, which allows for amendments to the protocol. Key bodies like the Joint Congressional Commission, and the Economic and Social Forum were created.

The lessons we have learned from our accomplishments and mistakes and the experience we have gained from the implementation of the treaty clearly indicate that our common institutions are plagued by impermanence. The lack of a permanent headquarters or well organized administrative structures — with the exception of the administrative secretariat — and frequent changes in the composition of the various bodies tend to create a certain level of instability which should be corrected.

Mercosur institutions should not only resolve problems but also contribute to shape the doctrine of the system. The Trade Commission, for example, should not move from place to place, from country to country. Its members should be permanent to give it strength and stable guidelines, and to allow it to assemble a useful jurisprudence for the systematic handling of problems.

We are currently leaning toward a multi-government approach which in the final analysis will delay the shoring up of a true common market. I am aware of an apprehension that a supranational approach could help the situation initially, but we must realize that a system of integration requires supranational bodies, and that it is advisable to start creating them gradually.

It is reasonable to fear a bloated bureaucracy, inflated budgets, and excessive supranationalism. If, however, we manage to protect ourselves from these evils, we will move toward an economically and politically more rounded integration in which the power of each nation will be carefully restrained.

The rule that requires consensus will thwart any irrational use of supranational bodies. The proper use of this rule could help us learn to use the appropriate collective consultative and verification mechanisms which are essential in any integration process.

I believe that we should try to diversify Mercosur's objectives. It is true that our goals are clearly set forth in Article 1 of the Treaty of Asuncion, but modern world dynamics frequently move faster than leaders. These dynamics call for a tighter and more effective cooperation so that we can complement each other and substantially improve our river and land transportation and everything that is related to communications, which play a key role in our development.

Integration processes are not focused on economic aspects alone. The initial push for this kind of initiative is always political, and there are political components in every decision. I believe Mercosur should take a broader and closer look at current concerns of Latin American societies.

A well-known politician deeply involved in integration reportedly said once: If we were to start all over again, I would start by tackling culture.

Why can't we do that, Messrs. presidents? Latin American integration should be all-encompassing. I invite you to start thinking about a cultural Mercosur, an environmental Mercosur, a Mercosur that will embody other lofty ideals which will help us shape the future of our people in keeping with our ideals.

We should remember that Mercosur has awakened great expectations in our continent. The interest that our integration has aroused is epitomized by the presence of our friends the presidents of Bolivia and Chile. This interest has spread to other systems of integration like NAFTA, the Latin American Integration Association, the EU, and others.

Everything seems to indicate that Mercosur will grow and will establish a variety of ties with other systems of integration. These prospects should fill us with pleasure and confidence, but at the same time they should encourage us to move faster and more effectively. The more convincing we are in our talks with third parties, the stronger will be Mercosur's position.

Your excellencies, I have tried to give you a brief status report on our Mercosur. I would like these thoughts not to fade away, but rather to help guide our work in the next stage which begins today under the presidency of Uruguay.

Mercosur requires us to be courageous and generous, to broaden our outlook and our prospects, and to overcome our shortcomings and mistakes.

Rather than being just a formality, the change of presidency implies renewal and new hopes. We are accustomed to expecting effectiveness and good manners whenever Uruguay is at the helm. I wish it the best and pray that this Asuncion summit will encourage us to hasten down this fascinating road upon which we are traveling together. I hope you will enjoy your stay in Paraguay, my dear and illustrious presidents, foreign minister, lawmakers, and labor union representatives. May God enlighten us all and help us to use this integration to create more jobs, fight poverty, and enhance peace in this continent. [applause]

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## Mercosur Congressmen Issue Declaration, Amend Bylaws

*PY0908031795 Asuncion NOTICIAS in Spanish 5 Aug 95 p 10*

[FBIS Translated Text] One of the most significant points approved at the joint session of congressmen from the Mercosur [Common Market of the South] member countries, held at the Ita Enramada Hotel on 4 August, was the confirmation that "a democratic system of government must be an absolutely necessary condition in order for countries to join Mercosur."

An Uruguayan lawmaker who spoke from the floor at this plenary session requested that this confirmation, which seeks to guarantee a democratic system of government in Mercosur member countries — something which was already contemplated in the Treaty of Asuncion signed on 26 March 1991 — be included in the declaration.

Given the need to modify some aspects of the bylaws of the joint congressional committee, several deputies and senators from Argentina, Brazil, Paraguay, and Uruguay met in Paraguay for two days to analyze important points of these bylaws. In the declaration issued together with the approval of the bylaws, the congressmen expressed the need to achieve increasingly closer integration between the Latin American peoples, taking Mercosur as a starting point, and to take joint action to guarantee economic and social progress by dismantling the barriers dividing peoples.

Another important point in the declaration is that pertaining to the need to improve living and labor conditions by encouraging self-sustainable development.

In the declaration the congressmen agreed to safeguard peace, freedom, democracy, and human rights, which are fundamental requirements for furthering the integration of peoples.

The Mercosur congressmen also approved the bylaws of the joint congressional committee, which will be enforced in the four Mercosur member countries with several modifications. These include a reduction in the number of committees from 12 to eight as well as the elimination of Article 14, which stipulated that all proposals had to be channeled through a "spokesman" and had to return to the committee within 30 days after being analyzed by each member state representative. The proposals put forward by Paraguay were approved.

Provisions pertaining to the duties and powers of the joint committee were also modified. It was finally established that this committee is a consultative and deliberative body empowered to formulate recommendations, proposals, and resolutions that are not binding.

### Plan To Strengthen Mercosur Trade To Be Drafted

*PY0808183595 Asuncion ABC COLOR in Spanish*
*6 Aug 95 p 5*

[FBIS Translated Text] It was announced yesterday that the Common Market Council has established a mandate to strengthen the Common Market of the South (Mercosur). A plan of action for up to the year 2000 will be drawn up. The document states that beyond merely removing border barriers it is necessary to achieve stronger integration among the member states.

The document emphasizes the specific political goal of strengthening the efforts to establish a common market, with the objective of making specific headway by 2000. It was reported that the Common Market Council initially planned to re-launch the bloc, but this idea was rejected as it would involve admitting that all efforts so far have been useless.

The plan of action seeks to negotiate to strengthen the Mercosur integration system, to improve the Customs Union, and to achieve the goals of the Treaty of Asuncion.

The Common Market Council also established specific measures to favor regional trade. To this effect, a meeting will be held within 30 days to review the measures to be implemented by Mercosur member states.

### Mercosur Accords Signed With Chile, Bolivia

*PY0808152095 Asuncion ABC COLOR in Spanish*
*6 Aug 95 p 4*

[FBIS Translated Text] As a part of the Eighth Mercosur [Common Market of the South] Council Summit, the member countries of the Treaty of Asuncion and Bolivia yesterday agreed to establish within 10 years a free trade zone between Bolivia and Mercosur.

Under a framework agreement signed yesterday by the presidents of Paraguay, Brazil, Argentina, Uruguay, and Bolivia, the free trade zone agreement must include, as an initial stage, a renegotiation of traditional trade advantages before 15 December 1995.

The multilateral document states that this involves achieving an agreement in 1996; if possible, before 30 June 1996. Article 3 of the framework agreement states that Mercosur and Bolivia establish a legal framework for promoting and protecting mutual investments.

Within the spirit of the agreement among the presidents of the four Mercosur nations and Bolivia, river and overland infrastructure projects will continue to be implemented to physically link the regional markets.

The presidents agreed to review during the initial stage a gradual deregulation of river and overland transportation and to facilitate border transportation operations.

Article 2 of the framework agreement states that Mercosur members will pursue the negotiations with Bolivia until the year 2000.

Chile agreed with the Mercosur authorities to draft a preliminary project on economic complementation with the Mercosur nations as a base for negotiations to establish a free trade zone between Chile and Mercosur.

An agreement was achieved to hold talks on three specific fields: Access to the goods market and trade regulations, physical integration, and institutional issues.

### 'Atmosphere of Tension' Marks Mercosur Meeting

*PY0908001895 Asuncion ABC COLOR in Spanish*
*6 Aug 95 p 5*

[FBIS Translated Text] The meeting of representatives from the various member countries of the Common Market of the South (Mercosur) took place in an atmosphere of tension, as a consequence of the problems that have cropped up in the first months following the establishment of a customs union [on 1 January 1995]. A high-ranking governmental source has disclosed that the most vigorous complaints were lodged against Brazil, due to its highly protectionist policy, and against Argentina because of the nontariff barriers it has imposed on several products.

According to the decisions adopted by the Mercosur Council of Ministers and the Common Market Group, one of the fundamental objectives that will be pursued as of now will be the free circulation of goods within the common market. The distinguishing feature of the

Eighth Mercosur Presidential Summit was the difficulties encountered in the first six months of the year following the implementation of the customs union.

Yesterday the same source pointed out that the meetings held by technical groups and even higher-level deliberations were marked by embittered arguments over the highly protectionist measures adopted by Brazil to defend its domestic production, something that has adversely affected several items produced by its Mercosur partners. A glaring example of this was the document listing Brazilian barriers to Uruguay's exports, submitted by the latter country at the technical meeting.

Another subject that was widely discussed at these meetings was the incorporation of Bolivia and Chile into Mercosur. Member countries from this bloc demanded that Chile define its position on whether it will negotiate with Mercosur of with NAFTA. As for Bolivia, negotiations will continue since this country is also a member of the Andean Pact.

A document drafted by the Common Market Group assessing the first six months of the customs union underscores the importance of the expansion of trade between the four member countries, and indicates that this is an encouraging and positive sign. The document also underlines the role that greater macroeconomic stability in the signatory countries has played in boosting intra-Mercosur trade.

The document stresses the stability and credibility achieved by Mercosur, and that despite the difficulties incident to an integration process there is no going back on it. It adds that having pinpointed the difficulties facing this common market, the member countries have decided to introduce measures to guarantee the free circulation of goods within Mercosur.

With regard to the institutional framework, it was decided, among other things, to establish a new Mercosur organizational structure, a mandate to consolidate this integration endeavor, and guarantees for the supply of raw materials and input.

### Mercosur To Meet To Settle Internal Problems

*PY0808235095 Asuncion ABC COLOR in Spanish 7 Aug 95 p 8*

[FBIS Translated Text] The representatives of Argentina, Brazil, Uruguay, and Paraguay will meet within a maximum of 30 days to define the absolutely necessary measures they have to adopt to perfect the free circulation of assets within Mercosur [Common Market of the South]. In this manner the Common Market Group must overcome the existing differences, taking into account the obstacles implemented by Brazil, which is seeking to protect its production outside of the framework of the integration process.

The strongest protest was submitted by Uruguay against Brazil, a protest that Paraguay supported. Uruguay submitted a document in which it highlights the fact that the functioning of Mercosur has become more difficult, and that there has been no decision to improve the customs union.

The document adds that the deterioration of the situation has been expressed in the delay in resolving the matters pertaining to the creation of the customs union. It points out that some of the measures that have been adopted have created a substantial alteration of what had been agreed upon regarding access to markets, and that this will in the short term seriously harm Uruguayan and Paraguayan exports.

The protest highlights the fact that the problems that have occurred up to the present time are the first demonstration of the harm that has been caused, and that it is easily foreseeable that other measures recently adopted by Brazil, which are incompatible with the norms of Mercosur, will generate more pressure to restrict regional trade. It specifically mentions the case affecting the textile sector: the shortening of the validity period for waybills, the demand that payment be made in cash, and the increase in the tariffs of some of the inputs that are used in the chain of production of textiles, which will later on turn into restrictive measures.

The intention of these measures is to give protection to economic sectors in a way that is not provided for in the Buenos Aires and Ouro Preto Agreements. "No sensible political and economic leadership would use such risky paths if it were not facing enormous problems. The Uruguayan Government understands that Mercosur is sliding toward a critical phase that must be avoided," the document emphasizes.

Uruguay and Paraguay have asked for an end to the measures that have been implemented by Brazil, because they presuppose a change in the conditions that were agreed upon within the framework of Mercosur.

### Bank Announces Plans To Supplement Lending Program

*FL0808170495 Bridgetown CANA in English 1640 GMT 8 Aug 95*

[FBIS Transcribed Text] Washington, Aug 8, CANA — The Inter-American Development Bank (IDB) will supplement its lending programme with partial guarantees for debt financing designed to encourage private sector lending and investments in Latin America and the Caribbean, the IDB announced Tuesday.

Partial risk guarantees and partial credit guarantees will be provided mostly for infrastructure projects. The IDB is offering the guarantee programme to assist Latin America in financing part of the more than $50 billion in investments needed annually for infrastructure. It completes the set of operational instruments originally included in the IDB's charter. They will complement, but not substitute, private sector initiatives on a given project.

All the 26 borrowing-member countries of the IDB would be eligible to use the guarantees, which may be offered on a stand- alone basis or in conjunction with a Bank loan. Infrastructure projects invariably involve government or publicly-owned entities as the regulator, supplier of inputs, or purchaser of outputs. Sovereign contractual undertakings in these areas are often the foundation for decisions by equity and debt investors.

Although private investors are willing to bear the commerical risks of a given project, the risks of failure of the public sector to fulfill its contractural obligations can be a major constraint in mobilising the necessary private financing. The new guarantee programme will offer coverage against these risks to encourage private financing to go forward, especially on the debt side. The programme will also provide partial guarantees for borrowing in the credit or capital markets to obtain longer maturities than available in the market.

By offering guarantees through either of the two mechanisms, the IDB expects to play a catalytic role in helping borrowing nations mobilise private capital from foreign and regional lenders. The knowledge and experience of the Bank in the region provides a track record that enhances the importance of the IDB guarantees, increasing the comfort level of investors.

## Common Market Council To Seek Agreement With EU

*PY0808182095 Asuncion ABC COLOR in Spanish 7 Aug 95 p 8*

[FBIS Translated Text] The Common Market Council will initiate negotiations with the EU toward the signing of a framework agreement between the two organizations in preparation for an inter-regional association between the Common Market of the South (Mercosur) and the EU. The Common Market Council explained that this framework agreement will permit economic and trade cooperation and serve as a preparation for trade deregulations between the Mercosur and the EU.

The document issued by the Common Market Council points out that this agreement represents an intermediate stage in the process of achieving a political and economic inter-regional association between the two blocs, which will subsequently permit enhanced cooperation, gradual and mutual trade deregulations, and the promotion of investments.

Mercosur believes it is proper for this trade deregulation to meet the regulations established by the World Trade Organization (WTO), bearing in mind the sensitivity of some products. Even so, current or potential trade sectors from the two regions will not be excluded, a priority, from the negotiations.

The agreement will have a trade section to handle the preparation of trade deregulations; an economic section to involve the various agricultural, industrial, investment, transportation, science, and technological sectors; a section for inter-institutional relations and cooperation; a section for cooperation for integration; and other ad-hoc sections.

The document issued by the Common Market Council mentions, among other things, that the framework agreement will be based on democratic principles and on respect for and promotion of human rights that are common to the foreign policies pursued by the countries that make up the two regions. The document adds that existing bilateral cooperation agreements between Mercosur and EU countries will remain in effect.

The document also sets dates for meetings between Mercosur and the EU. The first is scheduled for 14 and 15 September in Brussels. The second is scheduled for 28 and 29 September in Montevideo. If a third meeting is required, it will be held in October in Brussels.

## Cuba

### U.S. State Department Warns Against Recent Repression

*FL0808222495 Bridgetown CANA in English 2024 GMT 8 Aug 95*

[FBIS Transcribed Text] Washington, Aug 8, CANA — The U.S. State Department has called on the Cuban Government to stop harassing independent Cuban journalists and to allow them to go about their business unhindered. Interference with the press in Cuba, while not new, has escalated sharply over the past four weeks, according to State Department spokesman David Johnson.

In a statement, Johnson said that since July 11, Cuba's security police has begun to crack down on independent Cuban journalists, detaining a number who transmit reports to foreign publications. Many of the detainees, the State Department official said, have been threatened with adverse consequences, including imprisonment, if they continue their reporting. Johnson said that although most have been released after a brief interrogation, state security agents entered the homes of several journalists and seized documents and equipment.

One of Cuba's best-known journalists, Nestor Baguer, president of the Association of Independent Journalists of Cuba, had his telephone disconnected and his fax machine seized, Johnson said.

"Despite representations to the Cuban Government by Reporters Without Frontiers, who had provided the fax machine to Baguer, the machine has not been returned. Another journalist, Jose Rivero, had his fax machine, tape recorder, and video camera seized." He noted that in recent months, the Castro regime "has attempted to project to the international community a sense of greater openness, claiming it has nothing to hide about conditions in Cuba. Behaviour such as this latest crackdown on journalists belies these assertions."

A number of independent organisations, including Human Rights Watch and the Committee to protect Journalists, "have deplored these incidents," Johnson said. The Department of State urged the Cuban Government to stop inhibiting freedom of the press and freedom of expression, "and to allow independent journalists to carry out their legitimate work in an atmosphere free of repression and intimidation."

### Developments in Juragua Nuclear Plant Construction Viewed

#### Russian Commitment Noted

*FL0808153995 Havana Radio Reloj Network in Spanish 1402 GMT 8 Aug 95*

[FBIS Translated Text] The Russian Atomic Energy Ministry has rejected U.S. pressure and reiterated its commitment to completing the Juragua nuclear plant, in Cienfuegos. Georgiy Kayurov, head of the Ministry's public relations department, has said that Washington was expected to adopt the position that it has adopted since the White House has always made it clear that it is against Russia cooperating with other nations on atomic affairs. Kayurov reported that Moscow has sent Cuba a VVER 400 reactor and turbine. He added that construction of the first generating unit and other equipment has started, as laid out in previous agreements. Russian specialists point out that political objectives are driving the U.S. campaign against the Cuban nuclear plant, since Cuban authorities have the approval [visto bueno] of the International Atomic Energy Agency.

#### 'U.S. Campaign' 'Politically Motivated'

*PA0808192595 Havana Radio Rebelde Network in Spanish 1700 GMT 8 Aug 95*

[From the "National Radio News" newscast]

[FBIS Translated Text] Russia today reiterated its willingness to complete the Juragua nuclear plant, rejecting U.S. pressure.

The Russian Atomic Energy Ministry declared today that it intends to continue looking for mechanisms that would allow the completion of the Juragua electronuclear plant in Cuba's central-south.

The Russian federal institution has shunned pressures from Florida legislators who are against the progress of work that would complete the project initiated in 1982.

Russian experts have said that the U.S. campaign against the electro-nuclear center is politically motivated, considering the fact that the Cuban authorities have the go-ahead from the International Atomic Energy Agency.

Cuba has already received from Russia a VVER 400 [water-cooled, water-moderated reactor], a turbine, and other equipment, as well as a $30 million credit line to purchase other equipment necessary for the maintenance of what is known on our island as the work of the century.

### Workshops Discuss Nuclear Safety

*FL0908014995 Havana Radio Rebelde Network in Spanish 2300 GMT 8 Aug 95*

[From the "Exclusive" program]

[FBIS Translated Text] Over 10 depositions were debated on this second day of sessions of the First Workshop on Industrial Safety and Accident Prevention Evaluations. The subjects discussed included mechanical vibrations; how to organize, plan, and control maintenance programs; and procedures to analyze ad hoc operation risks.

Safety, an indispensable element in the operation of facilities which present potential risks to personnel, the population, or the environment, was the focus of a good portion of today's debates. Safety skills are highly developed in the people and organizations that in Cuba are linked to nuclear activities, such as in the case of the Juragua Nuclear Electric Plant.

The workshop, which ends tomorrow, is sponsored by the Higher Nuclear Sciences and Technology Institute and will help to increase nuclear safety expertise among highly developed industries such as biotechnology and aeronautics.

### Strategies To Destroy Revolution Discussed

*FL0808200595 Havana Radio Rebelde Network in Spanish 1600 GMT 7 Aug 95*

["Straight Talk" panel discussion with host Osvaldo Rodriguez and guest Luis Sexto from BOHEMIA magazine — live or recorded]

[FBIS Translated Text] [Rodriguez] Good afternoon, friends. This is "Straight Talk" on Radio Rebelde. Journalist Luis Sexto is here today to discuss the two methods of destroying the Cuban Revolution. Luis, I think it is very clear to the whole world and to us Cubans that it is the intention of our great enemy to destroy the Cuban Revolution. Now a new method is appearing — I would not say it is a new method, but one that is gaining strength — to destroy the Revolution by seeming to extend a hand — that is, by extending one hand and hiding the other. Luis, what is your assessment of the two — the one hand trying to smother us, clutching us by the throat so we cannot breathe, and the other allowing us to breathe, but only rancid air.

[Sexto] Before I begin my analysis of today's issue, Osvaldo, it is wise to recall that the disagreement between Cuba and the United States began before 1959. There are still some Cubans here who believe that the bad blood and hostility that has governed relations with the United States over the last 36 years is a phenomenon of the past, as they say, a phenomenon that began with the Cuban Revolution.

[Rodriguez] Of course, no one who has read Marti thinks that.

[Sexto] No, nor does anyone who knows Cuban history. However, we must... [changes thought] history always allows for a clear explanation and understanding of certain phenomena. This disagreement, this bad blood, this hostility between the United States and Cuba dates back to the beginning of the 19th Century. We must always bear in mind that U.S. policy, from 1805 — to name a generally accurate date — to the present has been dictated by the desire to dominate and possess Cuba. This explains all the positions the U.S. has held toward Cuba for two centuries.

[Rodriguez] We could say it has been their long-term strategy.

[Sexto] Well, it was a strategy that crystallized in the war of 1898, when the United States — without being asked — intervened in Cuba's last war of independence, and as everyone knows, thwarted our independence and stuck us in the yoke of the Platt Amendment, a legal, constitutional instrument of the neocolonialists, which was introduced to our nation first, as everyone knows.

[Rodriguez] Today, the only thing that remains from that period is the Guantanamo Naval Base. We succeeded in getting rid of everything else in '59, except the base. We'll wait and see what happens in '99.

[Sexto] In '59, the U.S. policy toward Cuba was thwarted. The U.S. grip on Cuba ceased, suffered failure and defeat with the appearance of the Cuban Revolution. That means that the Cuban Revolution signifies, among other things, the salvaging of Cuba's sovereignty and independence and the expulsion of U.S. interests, which had governed and controlled the political and economic life of this nation.

[Rodriguez] Luis, you talk about salvaging Cuba's sovereignty. Actually, Cuba was first in a Spanish yoke, from 1492; and only later, under Yankee neocolonialism.

[Sexto] I speak of the salvaging of independence that we would have achieved in 1898 if the United States had not opportunistically intervened in the war of independence, the war of Marti, which resulted in a cordial republic for all, and for the good of all who followed the profound philosophy of Jose Marti.

[Rodriguez] I think we have provided an interesting historical background analysis, which will allow greater understanding of today's problems, their various forms and characteristics, and who supports each one.

[Sexto] Today's problems are the same as yesterday's, Osvaldo. There is no doubt about it. In other words, it has been a policy followed throughout time. It has intensified over the last 36 years because as we were saying, the United States is intent upon recovering its former position. All its policies, no matter how they are dressed, are aimed at recovering its old position in Cuba, to recover control over Cuba.

[Rodriguez] Their policies have strengthened during the last five years as a result of the Revolution or Cuba's economic crisis. They think the Revolution can be destroyed.

[Sexto] Yes, when the United States saw that the Soviet bloc was destroyed and the Soviet Union became extinct, they saw that history was placing the inert victim right under their claws. This is no doubt what they thought. The blockade strengthened and then became most effective. We have said this before — the blockade has existed for 30 years, but did not effect us as much because the Soviet bloc made everything available to us that the blockade negated. When the Soviet bloc disappeared, the blockade reached its true potential — a noose around our neck that tries to strangle us. The blockade has strengthened and strengthens even more every year. In the United States, they are now analyzing and debating a way to further strengthen the blockade, to try to asphyxiate and regain control of Cuba. They are not trying to help Cuba. Perhaps there is someone foolish enough to think that the United States is trying to resolve Cuba's problems, that they are trying to resolve or help to resolve Cuba's problems through the blockade. There are those who think the United States has good intentions toward Cuba. There are those who think that if the United States lends a helping hand, all of our problems will be resolved.

[Rodriguez] There are those who think that the United States is trying to help Cuba's economy.

[Sexto] No, they are trying to regain control and impose their interests on us.

[Rodriguez] At the same time, they want to crush us so this will never happen again.

[Sexto] Of course they want to crush us. No one can doubt that Cuba would disappear as a country if the United States places its conquering feet on Cuba again.

[Rodriguez] Let's talk about the other tendency.

[Sexto] The blockade and the military threat indicate violent tendencies that have proven inefficient for 35 years. Cuba has been strong and firm enough not to give up in the face of that violent pressure. As Fidel pointed out during his 26 July speech and on other occasions, the tendency is to try to undermine us from within by taking advantage of our difficult circumstances, amid which Cuba is trying to carry on its project, its model, its socialist Revolution. The present world and material circumstances are very adverse to our carrying this out. They are trying to introduce themselves into Cuba and will then eat us up from within like a virus. Viruses never attack from the outside; they attack from within.

[Rodriguez] There may be a minority who believe that the blockade reflects good intentions by the United States. In any case, this other tendency — extending a friendly hand — could have psychological effects on Cuba's population, causing them to think that this proferred help is sincere.

[Sexto] That is propaganda's goal. The propaganda seeks to present the United States as a friend, with friendly intentions toward Cuba, and who is trying to resolve Cuba's problems. One thing, if you were to ask me which do I prefer — the blockade technique or the friendly-hand technique — I think the friendly hand is better.

[Rodriguez] I prefer the friendly hand.

[Sexto] It is a lot easier to try to resolve our problems without the blockade.

[Rodriguez] Luis, I agree with you. the friendly hand is better, but it is also dangerous.

[Sexto] From an economic point of view, it is the most favorable. Without the blockade, our economy can move out of the its present situation more quickly. However, as you said, the friendly-hand policy — the good-neighbor policy, as Roosevelt put it — is much more dangerous. It is much more sly and subtle. From an ideological and political point of view, it represents a challenge for Cuba. When there is hostility — I impose a blockade and you defend yourself — everything is much easier. We know where the enemy is and where both sides stand. We know how to identify the enemy. However, when the enemy comes wearing a mask of good intention, altruistic sentiments, and friendly-cooperation policies, it becomes much more difficult to identify the enemy.

However, we cannot fool ourselves. The United States only wants to recover its control over Cuba. Look here: for propaganda purposes, the United States says it is trying to introduce itself slowly, to produce changes in Cuba. What changes? Changes that will favor the United States — political and economic changes that they want. What changes do they want? Politically, they want a multi-party system. This is regression. Economically, they want the preponderance of private property and capitalism in Cuba. That is what they want, and nothing else. The United States needs myths to survive. When the United States took over the territory of the Indians — the original inhabitants of North America — what was the myth? Redskins are devils. That justified their cruel, expansionistic, genocidal tendency, which wiped out the original inhabitants of the United States.

[Rodriguez, chuckling] They have a fixation with red!

[Sexto] Yes, true. The same thing occurred when they took over the Mexican territories. The United States needs to invent myths. What is the myth they have invented to mask their true motives toward Cuba? The need to introduce democracy and human rights to Cuba. They have never asked the Cuban people if they really need democracy or human rights — their style. They have never done this because Cuban people are not the group of Cubans who live in Miami. Those are not the Cuban people. The people they must listen to are the people who live in this country, those of us who take on the problems and difficulties precisely because we are defending the most sacred thing there is today in Cuba — our independence and our existence as a country.

[Rodriguez] Luis, for this final minute, I invite you to give your opinion. Do you think this friendly-hand policy will prevail?

[Sexto] As we have said on other programs, I am not a psychic, nor do I have a crystal ball. However, I think there are smart people in the United States. I think that this policy will prevail in the long run. Therefore, the challenges for Cuba will be greater, and the ideological and political struggle will be harder. No one should believe that everything will be easier. Perhaps it will be easier economically. We will have access to credit, and what we purchase in Europe today, we could purchase in the United States. That would be easier. However, it will all be much harder because the danger will be greater. The United States will never be our friend.

[Rodriguez] Thank you very much. I agree with you. Many thanks to Luis Sexto for discussing the two forms the enemy uses to destroy the Cuban Revolution.

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### FAR Commemorates Frigate Captain Aguilar's Death

*FL0908013495 Havana Radio Rebelde Network in Spanish 2300 GMT 8 Aug 95*

[From the "Exclusive" program]

[FBIS Translated Text] Top chiefs and officials of the Revolutionary Armed Forces [FAR] today commemorated the first anniversary of the murder of frigate Captain Roberto Aguilar Reyes. As our people remember, this Cuban Revolutionary Navy [MGR] officer was shot twice by a soldier from his own unit to hijack the vessel Aguilar was commanding. Today in Mariel Bay, where frigate Captain Roberto Aguilar Reyes was murdered, his MGR and FAR comrades rendered him a tribute.

With the kiss of a grateful nation, beautiful wreaths floated on the waters of Punta Lazareto, the place where the dead body of this MGR officer surfaced a year ago. In honor of the officer murdered in the line of duty, 12 sailors approached the site in 12 landing craft and broke the poignant silence of those present with a rifle salute.

Likewise, leaders of the party and the government, together with relatives, friends, officers, and pioneers, gathered on the shore of Mariel Bay to render a solemn and deeply patriotic tribute to frigate Captain Roberto Aguilar Reyes.

Those who knew him recalled his spotless life as a citizen and officer, always at the service of the fatherland, his good nature and willingness to help anyone in need, as well as his constant efforts to be a good example to his subordinates. Children recited verses and intoned patriotic songs, while many youths who had worked with him and just received their Union of Young Communists [UJC] membership cards, affirmed that Roberto's example will be the compass that will guide their lives as members of the UJC and the FAR. [accompanied throughout by somber guitar solo]

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### Granma Province Reports Budget Deficit

*FL2807165595 Havana Radio Reloj Network in Spanish 1405 GMT 28 Jul 95*

[FBIS Translated Text] Granma Province's finance control office has reported that the province closed the first six months of 1995 with a budget deficit of 47.8 million pesos, one-third larger than expected. The principle reason for the deficit is attributed to nonpayment of 10 million pesos in taxes on earnings reported by local enterprises, particularly in the gastronomic sector. Other factors that influenced the budget deficit include nonpayment of taxes on services and sales [circulacion] totalling 3 million pesos, attributed mainly to non-food producing local industries. Rio Cauto and Cauto Cristo Municipalities reported deficits higher than expected, while Pilon, Media Luna, and Manzanillo Municipalities ended the first semester with end-of-the-year budget deficits.

### Price Inspections, Infractions Reported in Granma Province

*FL0508152295 Havana Radio Rebelde Network in Spanish 1155 GMT 5 Aug 95*

[From the "National Headlines" section of the "Doing Radio" program]

[FBIS Translated Text] Granma Province: Frequent standards and price inspections will continue over a six-month period.

Granma Province: Standards and pricing infractions were reported at 2,266 centers during the first six months of 1995.

## Haiti

### CEP To Hold Working Session With Political Parties

*PA0808225495 Port-au-Prince Signal FM Radio in French 1030 GMT 8 Aug 95*

[From "The Waking Up Newscast"]

[FBIS Translated Text] There will be a working session this Wednesday, 9 August starting at 1000 in the premises of the Provisional Electoral Council [CEP] with the Haitian political parties.

During this meeting, the CEP has proposed to study with the parties the necessary means for running the Monitoring and Electoral Council Unit [USCE] within the scope of the complementary elections and the second round.

The agenda of this meeting is the following: discussion of the USCE and questions of general interest.

The CEP encourages the participation of all for the success of this meeting and thanks them very sincerely, according to a communique signed by Pierre Michel Sajous, president of the electoral institution and Leon Manus, vice-president.

### Candidates Granted 4 Days for Electoral Campaign

*PA0908004995 Port-au-Prince Signal FM Radio in French 1030 GMT 8 Aug 95*

[FBIS Translated Text] The Provisional Electoral Council [CEP] has granted the candidates four days from Tuesday, 8 Aug — that is as of today — to Friday, 11 August 95 at midnight for electoral campaigning.

The CEP hopes the candidates will greatly take advantage of this space to present their programs. It also hopes that the officials of the state-owned media will remain responsive to those candidates anxious to have a message published or to encourage the Haitian electorate. The head of the CEP, Mr. Michel Sajous, has reiterated his call to the main parties of the political (?arena) so the latter can participate in the second round of elections. Mr. Michel Sajous points an (accusing) finger at the political leaders who lost the 25 June elections and who, he thinks, are at the root of the movement aimed at boycotting, but not the Haitian people, he explained.

Mr. Michel Sajous has renewed his intention to continue with the electoral process, putting forward that the Haitian electorate is ready to participate in the next ballot of the elections.

[Begin Sajous recording, in Creole] If I thought that there was the slightest risk that the voters may stay away from the [electoral] process, it is certain that I would not embark on it because — I already told you that at the beginning — one of the key elements in elections are the voters. If there are no voters, there are no elections. So, my position...[pauses] if I embark on the process, it is because I believe the voters will fully participate. [end recording]

### MOP Describes Parties' Reaction as 'Anti Democratic'

*PA0908004295 Port-au-Prince Signal FM Radio in French 1030 GMT 8 Aug 95*

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] The leaders of the Delmas branch of the Movement for the Organization of the Country [MOP] have broken their silence. Gerard Philippe-Auguste, president of MOP and member of the lavalas political platform, labels the reaction of the political parties concerning the past 25 June elections as antidemocratic.

According to the leader of the Delmas MOP, President Aristide's philosophy concerning the improvement of the living conditions of the Haitian population is similar to that of the founder of MOP, Professor Daniel Fignole.

Gerard Philippe-Auguste asks the heads of parties to defer their requests that the first round be canceled. He deems these steps antidemocratic. The leaders of the Delmas MOP invite the Haitian people to go to the polls in order to elect the members of the 46th legislature. [passage omitted]

### PDCH 'Intrigued' by Position of Political Parties

*PA0908004595 Port-au-Prince Signal FM Radio in French 1030 GMT 8 Aug 95*

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] The Haitian Christian Democratic Party [PDCH] says it is intrigued by the drawing away of the three political parties, namely the Nationalistic Progressive and Revolutionary Party of Haiti [PANPRA], the National Congress of Democratic Movements [CONACOM], and the National Front for Change and Democracy [FNCD] that worked out a rescue plan for the electoral process.

PDCH says it is intrigued by the fact that it has noted a certain ill-intentioned propaganda which implies a softening of the position of the political groups of the Group of Three as a break in the unity of the 22 political parties in precise demands [including] the dismissal of the entire personnel of the Provisional Electoral Council and the cancellation of the shameful 25 June elections, explained the party of Sylvio C. Claude. [passage omitted]

### Baja California Elections Held Without Incident

*PA0708165795 Mexico City NOTIMEX in Spanish 0139 GMT 7 Aug 95*

[FBIS Translated Text] Mexico City, 6 Aug (NOTIMEX) — The elections for local authorities in the northern Mexican state of Baja California concluded this afternoon, and tomorrow, Monday, the State Electoral Commission (CEE) will issue the official results.

The elections for governor, four mayors, and 25 deputies, which had a turnout of over half of the 1.41 million voters registered in the 2,800 km state south of the Mexican capital, took place with no incidents.

At the same time, elections were held for seats in the congresses in the states of Oaxaca and Veracruz in southern Mexico and in the central regions of Aguascalientes and Zacatecas, where mayors and congressmen were elected.

After being open for 10 hours, the electoral booths in the states of Oaxaca, Zacatecas, Aguascalientes, and Veracruz closed at 1800 (0100 GMT, Monday) without incident.

In Baja California, the polls opened at 0800 (1500 GMT) and stopped receiving voters at 1900 (0200 GMT, Monday). No incidents disrupted the day's calm.

The CEE reported that the preliminary partial results will be announced at midnight, after 15 percent of the ballots cast by 1.41 million registered voters are tallied.

The candidates with the best possibilities of being elected for new governor of Baja California are Hector Teran Teran of the National Action Party (PAN) and Francisco Prez Tejada of the Institutional Revolutionary Party (PRI), according to political analysts.

### Peaceful Elections in 5 States; Partial Results Released

*PA0808200395 Mexico City XEW Television Network in Spanish 0430 GMT 8 Aug 95*

[From the "24 Hours" newscast — passages within quotation marks recorded]

[FBIS Translated Text] Elections were peacefully held in five Mexican states on 6 August. The results that have already been released show that the National Action Party [PAN] kept the governor's seat in Baja California State. The PRI [Institutional Revolutionary Party] gained ground in certain municipalities and districts in other states. Eduardo Lugo has the story:

[Lugo] Residents elected governor, mayors, and local congressmen in Baja California. As ballots of 74.5 percent of the polling stations have been counted, the partial gubernatorial election results so far show that the PAN kept the governor's seat.

[Rodrigo Gutierrez, from the Partial Electoral Results Program, identified by caption] "As 44.97 percent of the gubernatorial election results have been released, the PAN has obtained 248,292 votes and the PRI, 204,245 votes."

[Lugo] Ruben Adames, PRI president in Baja California State, recognized that the PAN was able to keep the Baja California governorship.

[Adames] "It was definitely impossible for us to recover our main post, the governor's seat."

[Lugo] In Aguascalientes State, 11 mayors and 27 deputies for the 56th State Legislature were elected. For the first time in history, the opposition, the PAN, will govern the city of Aguascalientes. The PRI recognized its defeat.

[Armando Romero, from the PRI Directive Committee in Aguascalientes State, identified by caption] "In a few days, we will become an opposition force in Aguascalientes municipality, and we will act as such, showing the maturity Aguascalientes residents demand from opposition parties."

[Lugo] The PAN leads other parties in nine of the 18 districts and in 4 of the 11 mayor's offices.

Meanwhile, in Oaxaca State, 25 deputies for relative majority were elected, who, along with 17 deputies with proportional representation, will make up the local congress.

[Cipriano Flores, president of the Oaxaca State Electoral Institute Electoral Council, identified by caption] "The general trend favors the PRI in 23 of the 25 electoral district we have. In the other two districts, the general trend favors the Party of the Democratic Revolution [PRD]."

[Lugo] In Veracruz State, the State Electoral Commission will release the official results on 9 August, however, according to the preliminary results the District Commission has released, the PAN leads the PRI in Veracruz District, which comprises the city of Veracruz.

In Zacatecas State, residents voted to renew 56 mayor's offices and elect the 30 deputies who will make up the state legislature. Francisco Javier Bernal, State Electoral Commission president, reported that the PAN is leading in 10 municipalities, the PRD in two municipalities, and the PT [Labor Party] in one. In addition, the PRI is partially winning in the other 43 municipalities. In the city of Zacatecas, the preliminary results are too close to tell.

[Bernal] "We have the following results in the capital: PAN, 11,207 votes or 35.4 percent; and PRI, 11,834 votes or 37.4 percent."

The official results in the five states will be made public beginning on 9 August.

[Mexico City NOTIMEX in Spanish at 0521 GMT on 8 August transmits a 450-word, Mexico City-datelined item adding the following: "In Aguascalientes State, which is in the middle of the country and where 25 deputies and 11 mayors were elected, the PRI and PAN won in nine districts each as 70 percent of the votes have been counted. In Veracruz State, in the Gulf of Mexico, the PRI won in 24 districts by direct vote. In addition, the PRI garnered 234,035 votes; the PRD, 109,281; and the PAN, 55,389, according to the results released by the Oaxaca State Electoral Institute. In Zacatecas States, where the state legislature was also renewed, the PRI was winning in 36 of the 56 districts, while the PAN was winning on 10 districts."]

### Growth Reported in Exports, Domestic Consumption, Others

*PA0508004395 Mexico City LA JORNADA in Spanish 1 Aug 95*

[Report by Roberto Gonzalez Amador — received via Internet]

[FBIS Translated Text] Net sales of two-thirds of stock brokerage firms experienced increases during the first semester of 1995, trading 183,52 million new pesos, for a yearly growth rate of 10 percent. This was due to increased exports and demand for products which, prior to the crisis, used to be imported.

During the same period, financing costs became financial revenues. This allowed the net revenues of 106 companies to grow by 22.81 million new pesos, which is a 128.87 percent increase, in comparison with the first semester of last year.

According to information provided by the Mexican Stock Exchange (BMV) and a probe carried out by the Ixe Financial Group (formerly the Fimsa Financial Group), the balances reported by two-thirds of all stock brokerage firms show that they were able to overcome the effects of the crisis during the first half of this year by increasing foreign sales. At the same time, greater market stability reduced financing costs considerably.

From January to June these companies' total assets registered a 18.51 percent increase over second quarter figures for 1994, reaching 621.87 million new pesos.

Meanwhile, these firms' total liabilities — including 20 of the largest brokers — totaled 277.61 new pesos at the end of June, which means a yearly increase of 27.1 percent.

The increase in liabilities was due mainly to the increase in foreign currency debt (due to the exchange effect) and a larger debt service.

BMV data shows that at the close of June, liabilities in foreign currency represented 70.18 percent of the total liabilities, compared to 62.9 percent during the same month in 1994.

Thus, the balance of the debt in foreign currency for the 106 enterprises in the probe was 194,827,731 new pesos, which represented a 7.29 percent increase compared to the foreign currency debt up to June 1994.

On the other hand, the accountable capital increased 10.3 percent. For the enterprises included in probe, this indicator represented 299.73 million new pesos against 271.73 million in June 1994.

Ixe Financial Group specialists commented that the increase in exports and import substitutions were the main cause for the positive variation in their total sales.

The information supplied by these companies to the BMV indicates that at the close of June, of the 183.52 million new pesos in sales, 24.74 percent were done abroad. Thus, income from exports amounted to 45.4 million new pesos, which is 135.5 percent higher that last year when sales abroad represented only 11.65 percent of total sales.

Meanwhile, even though one could expect that in response to the contraction of economic activity domestic sales would register a significant drop, the enterprises had a contraction of only 5.53 percent for this item.

"This could lead one to conclude that in the face of the economic opening — bolstered during the previous six-year administration — certain Mexican enterprises had lost important market niches to international competition and that has allowed them in part to bear the sharp crisis" that affects the markets, the Fimsa specialists say.

On the other hand, the implementation of cost and expense controls, and in certain cases import substitutions for raw materials, allowed an operating profit of 29.75 million new pesos, 22.63 percent more than the same period last year.

At the same time, The Whole Financing Cost [Costo Integral del Financiamento — CIF] was a negative 2.83 million new pesos (which in this case becomes a financial profit). During the same period last year the CIF represented a cost of 9.01 million new pesos for the probe enterprises.

At the end of the first semester of 1995 — according to an evaluation by the Bancomer Financial Group — the entrepreneurial sectors that did best on the BMV were food and tobacco; paper and steel works, with an average increase in sales of 26.7, 29.9, and 39.5 percent respectively.

On the other hand, sectors that sustained drops in sales during the second quarter compared to the same period last year were the commercial, which dropped 10.6 percent; construction, which dropped 27.2 percent; electric, with a 18.8 percent reduction; and services, with 11.9 percent fewer billings.

### Preliminary Figures Show Trade Balance Surplus

*PA0808232895 Mexico City NOTIMEX in Spanish 0240 GMT 8 Aug 95*

[FBI Translated Text] Mexico City, 7 Aug (NOTIMEX) — The preliminary figures of Mexico's trade balance for the first half of 1995 indicate a favorable surplus for the country in the amount of $2.893 billion, Serfin Financial Group analysts disclosed today.

This institution's Economic and Stock-Exchange Analysis Directorate stressed that the final figures will be disclosed next week. However, partial figures predict that Mexico's trade balance for that period will be "very positive."

During the first half of the year, Mexican exports have increased by 32 percent, a figure that is twice as much as the increase registered for the same period in 1994, it added.

The institution explained that manufacturing exports, without including the assembly plant sector, represent 43.4 percent of the total number of exports as a result of a more competitive exchange rate and the growth of the U.S. market.

Imports plummeted by a total of 6.6 percent, although if purchases by the maquila sector are excluded, the decline amounts to 18.7 percent, it pointed out.

The financial group stressed the reduction of 39.8 percent in the purchase of consumer goods and of 29.5 percent in capital goods following the devaluation of the peso and the reduction of the domestic market.

Serfin forecasted that exports for the second half of 1995 could register a slowdown because the exchange rate will tend to be less attractive in real terms and the dynamic trend displayed by the U.S. and Canadian economies will not be as strong as in previous years.

According to Serfin, imports could begin to grow by year end as long as the Mexican economy undergoes the expected recovery and the real parity of the peso continues to appreciate.

Serfin economists believe the favorable balance of Mexico's foreign trade is very important, particularly because in 1996, the local economy will begin to recover and will pay off interests, both public and private.

In the coming months, favorable results might be detected regarding the size of the balance, and the exporting sector must become the engine to reactivate the economy, they added.

### Central Bank Purchases $538.3 Million in Tesobonos

*PA0908013995 Mexico City NOTIMEX in Spanish 2138 GMT 7 Aug 95*

[FBIS Translated Text] Mexico City, 7 Aug (NOTIMEX) — The Bank of Mexico purchased today $538.3 million in Tesobonos [Treasury Bonds] of the $905.4 million in securities that will become due on 10 August.

In a brief communique, the Central Bank pointed out that after the purchase, the amount of Tesobonos held by the public decreased to $4.7209 billion.

It noted that the Tesobonos purchased today were placed in the market on 2 August.

### Banker Opposed to Abolishing Interest Capitalization

*PA0408152495 Mexico City LA JORNADA in Spanish 2 Aug 95*

[Report by Rosa Elvira Vargas — received via Internet]

[FBIS Translated Text] Adolfo Lagos Espinoza, deputy director of the Bank of Commerce [Bancomer] pointed out that if a law is enacted prohibiting loan interests from being capitalized "the banking system would go bankrupt in less than a year. As simple, and elementary as that."

Addressing a group of senators representing the PRI [Institutional Revolutionary Party], the PAN [National Action Party], and the PRD [Party of the Democratic Revolution], the banker explained that the banking practice of capitalizing interests has been used for decades, and is carried out all over the world. "This issue is more than a mere legal problem," he stressed.

In theory, he added, the proposal sounds quite appealing, but it will have some effects over assets and liabilities. Thus, any investor will simply be able to withdraw his interests, and will later on take it once more to the bank — this time as capital — interests will then be paid on this amount at rates much lower than the level of inflation, and what we will be having will be a major capital flight.

The Bancomer deputy director stated that the simplest legal proceedings filed by a bank against a debtor to recover funds granted as loan, takes from one to two years, which makes the entire system more expensive. According to Lagos Espinoza "society as a whole pays for this, it is reflected in high interest rates, and greater brokerage margins."

He acknowledged that in light of the overdue portfolios, banks have also recommended options that have been far from effective since "the banking system is not perfect, but emphasized that the majority of debtors have been willing to accept a proposed restructuring plan using some type of financial instrument."

According to the banker, the strategies that been recommended for credit cards alone "have been well received," and that Bancomer and Banamex [National Bank of Mexico] have been able to reach some type of agreement with nearly half a million card holders.

In addition, he also referred to the Units of Investments (UDI's), and expressed his agreement with those market specialists who argue that productive activity will most likely increase by 20 percent if the funding programmed for this type of instrument is maintained. Currently, there are practically 2,635 UDI obligations outstanding totaling 2.328 billion new pesos, and 6,627 additional loans amounting to 13 billion new pesos are about to be executed.

With respect to UDI loans to states and municipalities, Lagos Espinoza pointed out that 13 loans totaling 4.112 billion new pesos are currently in effect, and 75 others have been approved for an amount equivalent to 9.6 billion new pesos.

He noted that on UDI operations originating from units issued by banks, the banker disclosed that there are currently 253 investments units available totaling 629 million new pesos, and 94 loans totaling 428 million new pesos are already operating.

Overall, the Bancomer official indicated, practically 7,000 loans representing 23.6 billion new pesos have been approved, and 2,742 loans amounting to 7.868 billion new pesos are currently in effect.

Lagos Espinoza affirms that the progress of the UDI program measured in terms of the number of loans approved and loans in effect versus the amounts assigned, is 20 percent.

The Bancomer official acknowledged that the UDI program has not yet been able to attract confidence from debtors or savings account holders who reject the certificate for completely different reasons. The first say that the UDI is hard money, while the second believe it is too soft.

Nevertheless, he pointed out that the 20 percent growth in the UDI program allows for some degree of "optimism" most of all because in countries such as Chile - from where Mexico adopted part of the program - it took ten years for the instrument to be understood and implemented efficiently.

Further on Lagos Espinoza referred to the banking services restrictions to those debtors who have stopped paying. He stressed that banks have not made any joint agreement but that they receive credit information through different channels and have agreed on the need to adopt similar measures out of "banking prudence."

According to Lagos Espinoza, banking rates will decline to the degree that the inflation rate declines.

The Bancomer deputy director was the only banker allowed to speak during the second meeting summoned yesterday by the Senate's Commissions of Finance and Credit Institutions. Also present during the meeting was Banco del Atlantico representative Jaime Castro Rocha who was only allowed to speak for a few minutes since Senator (?Carlos Salas Gutierrez) suggested that the issue Castro was going to cover - payment of interest over interests - had already been discussed thoroughly.

Most of the questions during this last meeting were asked by Senators Irma Serrano, Ricardo Newman, and Jorge Polanco, among others.

### Banking Representatives: No Interest in Investment Units

*PA0608003895 Mexico City REFORMA in Spanish 2 Aug 95*

[Report by Clara Torres; figures as published — received via Internet]

[FBIS Translated Text] Representatives from the Mexican Banks Association [Asociacion Mexicana de Bancos] and the National Banking and Securities Commission [CNBV] yesterday concurred in recognizing there is no interest in the investment units (UDI's), for which 135.7 billion new pesos were channeled.

CNBV President Eduardo Fernandez Garcia said the use of the UDI's has not been in the desired proportion due to the debtors' unawareness and the banks' lack of promotion. He said only 3 billion of the 66 billion new pesos allocated to the productive sector have been used.

Fernandez said that expired portfolios amount to 96 billion new pesos and affirmed that banks have rescheduled approximately 40 billion new pesos worth of expired portfolios through other methods.

Meanwhile, Alejandro Lagos Espinosa, Mexican Banks Association representative and Bancomer [Bank of Commerce] deputy director, said the amount of UDI reschedulings represents 20 percent of the resources earmarked for this program.

The two officials met, on separate occasions, with the Senate's Finance Commission and the Credit Institutions Commission to explain the situation regarding expired portfolios. Fernandez accused banks of lacking the logistics that would allow implementation of the program and for having communication problems, given they have been unable to explain to debtors the good traits of the UDI's.

The growth rate of the expired portfolios was 9 percent between April and May 1995. This rate is expected to drop, however, to 2 percent between May and June.

**An Initiative is Being Prepared**

The CNBV president is preparing an initiative on reforms to reconcile debtors and banks. This initiative would mainly benefit the former because the latter have legal departments advising them.

Lagos insisted that the rescheduling schemes the government has submitted have been insufficient and that one of the reasons why people have failed to accept the UDI's is because they constitute "hard currency" for debtors and "soft currency" for savers.

He said that the 20 percent use of the UDI's is significant compared to the 10 years Chile took to implement a similar program and predicted that the program will be entirely used by October 1995.

Representative Lagos disclosed that Bancomer and Banamex [National Bank of Mexico] have so far rescheduled [word indistinct] millions of credit card debts and that the current amount of expired debts is lower than the amount we had in December 1994.

The balance of expired portfolios owed to commercial banks at the end of the first semester was 96 billion new pesos, and 41.425 billion new pesos have been rescheduled so far. Banks are also rescheduling their credits.

**ARREARS OF PAYMENTS AND RESCHEDULINGS**

| (in billions of new pesos) | Number of Loans | Rescheduled Amount | Program | Percentage |
|---|---|---|---|---|
| In UDI's | 2,648 | 7.868 | 135.700 | 5.8 |
| Productive Plant | 2,635 | 3.328 | 76.000 | 4.4 |
| States, Municipalities | 13 | 4.112 | 17.730 | 23.2 |
| Housing Support | 0 | 0.000 | 37.434 | 0.0 |
| Private Houses | | | 94 | 0.428 |
| Own Schemes | 340,727 | 33.557 | | |
| Total | 343,375 | 41.425 | | |

* The UDI rescheduling housing support program started in mid- June.

PA0680038-EDITC-6 The UDI reschedulings by the banks are in terms of their collections in UDI's, which amounted to 4.625 billion new pesos.

## Officials Propose Restructuring Program To Reduce Inflation

*PA0508225595 Mexico City LA REFORMA in Spanish 2 Aug 95*

[Report by Clara Torres — received via Internet]

[FBIS Translated Text] Representatives of the Bank of Mexico [Banxico], the Finance Secretariat, and the National Banking and Securities Commission [CNBV] yesterday ruled out that the problem of overdue loans can be solved by either the government or the banks simply by condoning or writing off loans.

During a meeting with the Senate's Credit Institutions Commission and Finance Commission, the three government officials proposed, as an alternative, a restructuring program that would reduce inflation and reactivate the economy at the same time.

Fiscal Attorney General Tomas Ruiz Gonzalez, representing the Finance Secretariat, cautioned that the viability of the Mexican banking system would be at risk if a cult of "nonpayment" were ever to prevail.

Alejandro Reynoso del Valle, Banxico economic statistics director, said the federal government will have to cut its expenditures, increase taxes, or become more indebted if it goes ahead with writing off debts.

"Should the banks begin condoning debts" Reynoso del Valle added, "they will begin losing most of their capital and will be unable to repay account holders."

During a previous meeting, Alejandro Lagos Espinoza, representative of the Mexican Association of Bankers [AMB] said the banking system would go bankrupt in less than a month if banks are prevented from capitalizing interests as they are doing now.

CNBV President Eduardo Fernandez Garcia said they were preparing an initiative for debtor-banks conciliation procedures, given debtors have no legal advisers. He added that the CNBV could also present an opinion about those judicial cases in which there have been some injustice.

"It would seem as if they had sent a Popsicle salesman to the North Pole," Senator Carlos Sales told Lagos Espinoza and said it would be essential to ask those involved in the portfolio restructuring if everything is going "full speed ahead," as the banking and finance secretariat officials claimed.

## Commission Holds Session on Overdue Loans Problem

*PA0508223595 Mexico City LA JORNADA in Spanish 3 Aug 95*

[Report by Nestor Martinez and Rosa Elvira Vargas — received via Internet]

[FBIS Translated Text] During a session of the Permanent Commission of the Union, where the need for an urgent solution to the problem of overdue loans was brought up, the opposition National Action Party (PAN), the Party of the Democratic Revolution (PRD), and the Labor Party (PT) demanded that the government admit its responsibility, but no concrete strategy to deal with the issue was made.

The Institutional Revolutionary Party (PRI) responded that it was not the right time to search for guilty parties in the problem of overdue loans and claimed the government must intervene in an attempt to find viable solutions within the boundaries of the law.

Carlos Sales Gutierrez, Senate Finance Commission president, said that the Senate is assessing the problem in order to carry out a serious diagnosis but that no statements can be made now due to the lack of information.

"We cannot deal with this issue recklessly or propose unstudied solutions even though there is a need for us to deal with it urgently and objectively," the legislator said.

Meanwhile, the Permanent Commission agreed that the working commissions appointed by the two chambers comprising the Mexican Congress would meet during an assembly to evaluate the problem of overdue bank loans and urgently recommend legislative solutions.

PAN Deputy Gabriel Llamas said the government cannot simply wash its hands and free itself of this problem, for which it has a tremendous burden to carry for having misled the Mexican people.

"The bank is responsible," he said, "and debtors are also answerable, but the government must also pay its dues and must pay. If it does not pay financially, then it should pay electorally."

During yesterday's plenary session, Congress continued to discuss the issue of overdue loans and once again claimed the problem requires a prompt and just solution but did nothing to move forward. Even the tone of the debates, particularly those promoted by the PRI, was quite subdued.

PRI Senator Jose Luis Soberanes said "the government of the republic must sponsor mechanisms of understanding between all parties (creditors and debtors) in addition to undertaking a complete review of the legal framework regulating financial services so that these types of situations can be avoided in the future."

He claimed it would be unwise to recommend any payment moratorium, but neither would it be advisable to recommend unfair interest rates, to demand payments, or to unilaterally establish requirements in order to receive financial services, "because the only consequence this would lead to would be more social unconformity."

Soberanes contended that the state is obligated to legislate in order to encourage financial competition, to regulate on the differential between active and passive interest rates, to make banks more efficient, and to encourage the use of advance technology, given the savings of all Mexicans must be managed with wisdom, openness, and efficiency.

PRD Deputy Salvador Escobar Toledo said that the problem of overdue loans demands legislative solutions and that it will be difficult to make any progress simply with recommendations, agreements, pledges, or statements of goodwill.

He proposed three measures to confront and prevent the problem: the creation of a trust fund to prevent any irregular increase in domestic interest rates, loan term restructuring, and channeling new lines of credit to productive activities that would create more employment.

"We are not seeking to have the national banking system go bankrupt, to have it fall prey to foreign bankers, the continuation of commercial lawsuits, or for the banks to seize debtors' assets," the PRD deputy added.

PAN Deputy Salvador Beltran del Rio said neither the banks nor the government is doing anything to solve the overdue loans problem and said the PAN is not seeking to cripple the banking system.

Beltran said the problem is so big that one out of every 16 peasants having an overdue loan is unable to pay, just as one out of every nine manufacturers is unable to do so, and he complained that banks are arbitrarily fixing interest rates without taking inflation indexes into consideration.

PT Deputy Joaquin Varela said the financial authorities have been quite tactless in identifying the problems debtors are experiencing, because they perceive it as a situation that is exclusively financial, not economic or social.

Personnel from the office of PRI Senator Fernando Solana Morales distributed a document in which the legislator stated his opinion about the overdue loans issue. His tone was much more subdued than the one used during a private meeting that took place on 25 July, when he blasted the economic policy of the banks and the government.

Nevertheless, Solana said that the inability of thousands of firms and individuals to repay their debts to the banks is an issue of utmost importance for the nation and that it is a problem due mainly "to serious monetary policy mistakes made in recent years, particularly during 1994."

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## Business Leader Calls For Fairer Fiscal Policy

*PA0708180195 Mexico City NOTIMEX in Spanish 1755 GMT 1 Aug 95*

[FBIS Translated Text] Nogales, 1 Aug (NOTIMEX) — Mexico requires a fairer fiscal policy to promote investment and change the situation in which 11 million inhabitants are paying taxes to support 90 million others, private sector leader Victor Manuel Terrones said today.

The president of the National Association of Manufacturers of Mexico said that fiscal responsibility currently lies on the shoulders of some Mexicans and 600,000 companies, while the rest dodge taxes and are part of an underground economy.

"It is essential to have a fairer fiscal policy" and put aside taxing measures such an the increase of the value-added tax, Terrones noted.

According to the leader, this would attract foreign investments to revive sectors such as agriculture, cattle breeding, and commerce.

Terrones said that it is important for the federal government to reduce the Income Tax (ISR) and the Tax on Work Products [ISPT] to grant fiscal incentives to companies and workers.

The national situation of the industrial sector is the result of a lack of programs to promote investment, to prevent indebtness, and to increase productivity, and this was the case in the last two six-year terms, he added.

"Such a neglect led to excessive national industrial indebtness that is reflected in overdue portfolios throughout the country. Canacintra members hold 17 percent of them," Terrones said.

Nevertheless, he noted, the federal government is interested in establishing mechanisms to support mini, small, and midsized industries through the creation of a national council to raise competitivity.

Terrones said that the situation experienced since December was caused by the overvaluation of the new peso compared to the dollar by 30 percent, leading to a flight of $80 billion in the form of imports.

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## Fishing Industry Chamber: Lifting of U.S. Tuna Ban Imminent

*PA0408010295 Mexico City NOTIMEX in Spanish 1011 GMT 1 Aug 95*

[FBIS Translated Text] Mexico City, 1 Aug (NOTIMEX) — Mexico has suffered a yearly loss of $33 million due to the U.S. tuna embargo, the National Chamber of the Fishing Industry [Canainpes] has stated here, adding that 30,000 tonnes are not fished every year, meaning a 30 percent drop in this activity and the loss of 4,000 jobs in fleets, processing plants, management, and marketing.

A Canainpes study has recalled that the embargo was imposed on the pretext of protecting dolphins caught in the fishing nets, although the "Dolphin Safe" concept represents a tariff barrier for the Mexican product. It has stated that the embargo constitutes a flagrant violation of the principles of international trade and has felt the elimination of this measure is imminent.

A reduction in the number of vessels by 24 percent and in the hauling capacity by 30 percent is another consequence of the embargo. Regarding exports, the study has stated they dropped considerably, from 83,384 tonnes in 1980 to 16,296 tonnes in 1993 and to 11,017 tonnes in 1994, according to preliminary figures. The negative impact drove tuna production to be earmarked almost in its entirety to the domestic market.

Moreover, the report has stated that domestic tuna consumption rose by 90 percent in the past five years, over 110,000 tonnes a year, whereas 63,167 tonnes were consumed in 1989. Mexico, it added, is one of the eight countries that signed the multilateral agreement in La Jolla, California, which seeks to gradually reduce to zero the incidental capture of dolphins due to netting by 1999.

This agreement allows the country to lower the accidental capture of dolphins to the point that the ratio of dolphins caught by the nets was 0.5 [as received] dolphins in 1994, placing Mexico at the vanguard of the protection of the species.

Owing to this agreement, the Canainpes study added, with backing by the former GATT and pressure from the Mexican Government, the United States had to acknowledged that the Mexican tuna fleet does comply with provisions to protect dolphins. The aforementioned reasons make it possible to affirm that the lifting of the tuna embargo is imminent, it concluded.

## Guatemala

### FDNG Proclaims Presidential, Vice Presidential Candidates

*PA0908032895 Guatemala City LA REPUBLICA in Spanish 6 Aug 95 p 6*

[Article by Ramon Hernandez S.]

[FBIS Translated Text] Chimaltenango — The democratic left, which has been isolated from power and has had no important role in politics for more than four decades started here a struggle to gain a political position. At the opening of its campaign, the group established a goal of 1 million votes in the 12 November elections.

After surviving the repression of military governments in the 1980's, the Guatemalan left, which is gathered in the New Guatemala Democratic Front (FDNG), will try to reach power through its presidential candidate, banker Jorge Gonzalez del Valle, whose running mate will be Mayan Indian Juan Leon Alvarado. They were acclaimed by more than 5,000 followers yesterday.

The more than 5,000 followers, including peasants, Indians, university students, and unionists, welcomed the main front leaders with slogans such as "in the forefront with the front," "it can be felt, it can be felt, the people are present," and "this fist can be seen, the workers will achieve power."

The founder of the Mutual Support Group (GAM) delivered the first speech. She said that this year "we will defeat abstentionism, thus, we must all participate in this political exercise." She urged the rally participants to cast their votes for the front's candidates.

Presidential candidate Jorge Gonzalez del Valle called on all sectors of the front to work for "1 million votes on 12 November" and he underscored that the front would score an electoral triumph with only 1 million votes, and that is our goal: 1 million votes.

Gonzalez said that the FDNG will open his campaign in Chimaltenango, because "Chimaltenango is a symbol like Quiche, the symbol of the death of the people's resentment in Guatemala," and that is why we must now work to rebuild the country and achieve peace.

He added that the Mayan people will enjoy a victory, and thus, he urged everyone to vote on 12 November to build a new Guatemala.

Vice presidential candidate Indian Juan Leon Alvarado said that "our enemies have divided us, they have caused confrontations between peoples, communities, and persons, but we will now start to rebuild Guatemala."

"We will now start to rebuild a new relationship of respect among peoples, sectors, persons, and respect for our opinions," Leon said. He noted that this effort to achieve unity and establish a new and truly democratic government has had a cost in lives, which began 500 years ago when communities were invaded and authorities destroyed.

### Supreme Court Signs Technical Cooperation Agreements

*PA0808174795 Guatemala City LA REPUBLICA in Spanish 5 Aug 95 p 4*

[Report by Miguel Ignacio Acabal]

[FBIS Translated Text] The Supreme Court of Justice (CSJ) yesterday signed a technical cooperation agreement, which mainly pertains to public defense and the School for Judicial Studies, with international missions accredited in Guatemala in order to strengthen law enforcement in the country.

In addition, another agreement on technical cooperation among the Judicial Branch (OJ), the Joint Unit of the United Nations Mission for Guatemala (Minugua), and the UN Development Program (UNDP) was signed.

As for the agreement the CSJ signed, it deals only with a cooperation among the CSJ, the Penal Defense Public Service [Servicio Publico de Defense Penal], and Minugua.

Following the formal ceremonies, authorities from the aforementioned institutions delivered their corresponding speeches, in which they stressed the significance of this historic event for both this organization and the State of Guatemala.

At the podium, CSJ President Oscar Barrios Castillo said that "I have always believed that an individual, people, and a community that do not have a history are akin to a scentless flower and an empty vessel. This is why I believe that the times in which we are living constitute a deep-rooted historic event for the development of justice in our fatherland."

The official also spoke about the peace talks between the government and the rebels, whose political and military presence have been around for more than 30 years. They fortunately met halfway and reached an understanding on 29 March 1994, alluding to the Overall Agreement of Human Rights, through which they asked the United Nations to appoint a commission to verify the compliance with this agreement.

As a consequence, the UN Assembly, through Resolution 48-67, agreed to this petition on 28 September 1994.

Meanwhile, Minugua Director Leonardo Franco pointed out that "the following reflection on the Anglo-Saxon jurisprudence is known: 'the CSJ does not have the last word because it is infallible; it is infallible because it has the last word.' This idea, which was unsurpassably uttered, does nothing more than affirm the apex position the highest court occupies in the legal pyramid."

Finally, in another part of his speech, he underscored that "when Guatemala ratified the different international instruments to protect and promote human rights, it accepted the challenge of promoting the full validity of the essential rights humans have in its territory."

## Nicaragua

### PRC Delegation Arrives To Strengthen Relations With FSLN

*PA0908044195 Managua BARRICADA in Spanish 8 Aug 95 p 2*

[Names and titles as published]

[FBIS Translated Text] A delegation of the CPC and of businessmen of the PRC headed by Li Beihai arrived in the country to strengthen relations with the Sandinist National Liberation Front (FSLN).

The PRC delegation is also made up of Yang Maoshan, chief of the CPC Latin American Department; Guo Yuanzeng, chief for the Caribbean and Central America; businessman Chen Hongjie; economic adviser Kang Xuetong; and Mrs. Li Man.

In an effort to strengthen relations with the FSLN, the PRC delegation started a number of meetings with members of the FSLN National Directorate: Commander Bayardo Arce, International Relations Secretary Victor Hugo Tinoco, Dorotea Wilson, and Edgardo Garcia.

The delegation will also meet with Dr. Leonel Arguello, Javier Bonc, and Jose F. Padilla, and will also tour tourist sites.

This afternoon they will meet with Commander Tomas Borge, the FSLN deputy secretary general, and with national leaders of the Sandinist youths. The delegation will leave for Costa Rica on 9 August.

### Government To Issue Bonds Worth 4.2 Billion Cordobas

*PA0808224695 Managua EL NUEVO DIARIO in Spanish 4 Aug 95 p 2*

[FBIS Translated Text] The government will again issue bonds, worth approximately 4.2 billion cordobas, which will be used to privatize agencies like Telcor [Nicaraguan Telecommunications and Postal Services Institute] and to face U.S. pressure regarding compensation of individuals whose properties have been confiscated and who currently are U.S. citizens.

Finance Ministry Secretary General Leonel Lola made the announcement and clarified that the bonds will be addressed to all sectors, but particularly to the individuals whose properties have been confiscated.

Thus far, the government has issued compensation bonds worth approximately 1.1 million cordobas and has paid as a total bonds worth 600 million cordobas.

#### Telcor, Other State-Owned Assets Used as Guarantee

With the Telcor privatization project, the government also seeks to increase the value of the bonds held by individuals whose properties have been confiscated.

Thus far, the bonds held by individuals whose properties have been confiscated have very low market quotes without reaching a 30 percent of the nominal value at a 20-year term, which continues to annoy bond holders.

Regarding other topics, Lola announced that the tender reviewing commission recommended to assign the manufacture of 400,000 passports to French company Francoise Charles Ouverture, which offered the lowest price.

#### Recommendation on Passports Challenged

Francoise Charles Ouverture offered a price of $712,000 for the lot of passports while the English company Thomas de la Rua offered the highest price: $1.16 million.

However, Canadian company Canadian Bank Note challenged the evaluation commission's recommendation, using as an argument the passports' low manufacturing quality, which the members of the aforementioned commission have rejected and reiterated their opinion before the reviewing commission, which would be formed on 3 August in the afternoon.

Five companies participated in the tender: one from Canada, one from England, two from Germany, and one from France.

## Panama

### Minister on Increasing Commercial Exchange With Cuba

*PA0508042495 Panama City EL PANAMA AMERICA in Spanish 3 Aug 95 p A-4*

[Report by Carlos Vargas]

[FBIS Translated Text] Following the visit Cuban Foreign Minister Roberto Robaina has made, Commerce

Minister Nitzia de Villarreal yesterday disclosed the possibility of Panama increasing its commercial exchange with Cuba, especially in the tourist and local products sectors.

According to Villarreal, Foreign Minister Robaina has expressed Cuba's interest in studying the possibility of making more commercial exchanges between Panama and this Caribbean country.

The head of the MICI [Commerce and Industries Ministry] pointed to the possibility of Panama being more aware of the Cuban experience in the tourist sector, which seems to be Cuba's main source of foreign exchange.

She said a list of products that could be exchanged has not been prepared, but Cuba is interested in products from the local market.

## Developments in Labor Reform Bill Dispute Viewed

### Assembly Approves 25 Articles

*PA0808214895 Panama City LA PRENSA in Spanish 8 Aug p 1A*

[Report by Rolando Rodriguez B.]

[FBIS Translated Text] Yesterday, the Legislative Assembly approved in second debate 25 new articles, including those creating and regulating the controversial Dismissal Fund. This topic was examined during a working day marathon that consumed Sunday afternoon and night and nearly all of yesterday's early hours.

Official legislators systematically approved reforms to the original bill submitted by the Assembly's Labor Commission. Meanwhile, opposition legislators, with little over 20 votes, unsuccessfully tried to reject this third block of reforms, out of the five in which the reforms proposed by the Executive Branch have been divided.

After the third block of reforms was approved around 1530 yesterday afternoon, the Assembly president ordered a break of almost four hours, right after a protest demonstration began on Porras Park. Shortly after arriving at the Legislative Palace the demonstration turned into violent clashes with several hundreds of riot police members.

The articles which partially and totally amend various regulations of the current Labor Code were approved yesterday, including those related to workers' inventions, sickness or accidents that are unrelated to work, and medical certificates on disability.

The legislators approved reforms of articles on indemnity payments, dismissal notice, and the justifying causes. They also made changes regarding rulings issued by the Reconciliation Boards, indemnity payments in case the employee is rehired after having been dismissed, and seniority compensation payment.

Article 44 of the labor reforms bill introduced a new chapter into the Labor Code, which creates the Dismissal Fund, a topic on which no agreement was reached at the Labor Tripartite Commission, formed by labor union, business, and government representatives.

The plenum of the Assembly introduced a significant change which, according to legislators who were consulted, did not please the business sector.

The legislators approved that the business sector will provide 10 percent of the monthly compensation quota to the Dismissal Fund, which the worker would have a right to in the event the labor relationship concludes due to an unjustified dismissal or a justified resignation.

Employers had requested to pay only 5 percent while the commission's bill established a 15 percent.

During yesterday's session, it was noteworthy that PRD [Democratic Revolutionary Party] legislators withdrew a large number of proposals to the labor reform bill submitted by the Labor Commission, and limited themselves to the introduction of minor changes to the bill.

Early Monday morning, Arnulfist Legislator Bolivar Pariente denounced the existence of approximately 50 reform proposals to a large number of articles on which the Labor Tripartite Commission reached an agreement.

According to Pariente, the proposals had been signed by Assembly President Balbina Herrera and her PRD colleague Yadira Gonzalez.

Last night, after delays due to opposition legislators' claims regarding the order of the speakers' list, the legislators began discussing the fourth and next-to-last block of 23 articles, on topics such as labor unions, collective agreements, reconciliation, and strikes.

It is estimated that the debate on this block will end today and that the discussion of the fifth and last block will begin immediately. When this is done, only the third debate would be left pending on the bill that will reform the current Labor Code.

Sources from the official legislators believe that this reform bill will be approved on third debate at the end of this week, probably on Friday.

### Businesses, Parties Want Reforms Withdrawn

*PA0808224895 Panama City LA PRENSA in Spanish 8 Aug 95 p 1A*

[Report by Jose Otero]

[FBIS Translated Text] Organizations of businessmen, teachers, doctors and political parties yesterday requested that the labor reforms be withdrawn from the Legislative Assembly so there will be no new victims in street disturbances and the country can return to normal. The Legislative Assembly is holding special sessions to discuss these reforms.

The National Council of Private Enterprise (Conep) yesterday vigorously rejected all the articles of the labor law reform that have already been approved.

Conep President Guillermo Fernandez sent a message to President Ernesto Perez Balladares and the legislators of the different parties asking that the debates return to the original objectives of the reforms and that they prevent a further decline of the Panamanians' socioeconomic situation.

Jose Jelensky, president of the Panamanian Construction Board (Capac), said that after the construction workers began their strike against the labor reforms on Friday, labor activity in this sector has been completely halted.

Jelensky said the construction workers will not be paid for the days they do not work. He added that so far, the construction sector has registered approximately $1 million in losses.

Ricardo Ortega, leader of the Panamanian Association of Business Executives (APEDE), said the private sector losses during this strike exceed $10 million, and will increase as the banana sector joins the strike.

Union leaders who participated in the Tripartite Labor Commission have issued a communique accusing the Conep of organizing a campaign to get the Executive to intervene so the legislators will approve the reforms as the Conep wants, "in other words, reforms that entail the brutal exploitation of the workers."

Aniano Pinzon, secretary general of the Confederation of Workers of the Republic of Panama (CTRP), said the opposition legislators are using the reforms for politics while "the PRD [Democratic Revolutionary Party] legislators... have been using legislative procedures and have acted in an independent manner."

The Association of Doctors, Dentists and Related Professionals of the Social Security Fund (AMOACSS) announced yesterday that if the "repressive" measures against the Panamanian people continue, it will go on strike.

The medical organizations asked the president to withdraw the "package" of Labor Code reforms "because there is no path to the consolidation of democracy other than a serious, responsible, and in-depth national debate, as the president proposed during the electoral campaign."

The Association of Professors of the Republic and the Association of Private School Teachers also vigorously rejected the "repression" against popular sectors linked to the country's labor movement and expressed their concern regarding the presence of armed civilians in the capital's streets, a situation that has created a climate of insecurity.

They also "rejected the foolish decision of holding legislative sessions until the early hours of the morning, bringing back memories of infamous pre-dawn legislative actions [madrugonazos]."

Meanwhile, the opposition Arnulfist Party, Molirena [Nationalist Liberal Republican Movement], Christian Democratic Party [PDC], and Civic Renewal Party urged the Executive to withdraw the labor reform bill and to undertake every effort to achieve a constructive and concerted understanding.

PDC President Gabriel Cedeno said that as time passes, more unions are expressing their support for the strike. He said that if the government maintains its position, it will continue to fuel the movement that is creating unrest.

Molirena President Guillermo Ford said the opposition parties are not going to encourage the current violence in any way or to support any group.

The Papa Egoro Movement [MPE] also asked Perez Balladares to "correct his course for the good of the country."

### Students March in Support of Workers

*PA0908042195 Panama City Telemetro Television Network in Spanish 1730 GMT 8 Aug 95*

[Report by Omayra de Leon Watson from the "Telemetro Reports" newscast]

[FBIS Translated Text] As classes reopened on Tuesday, students from various high schools blocked a number streets, while other students marched in protest. One of these schools is the Bolivar Commerce Institute located in Mexico Avenue. [crowd chants: "Justice"]

The protesting students walked peacefully down Balboa Avenue, although they caused a traffic jam in the area. The students reached Urraca Park where they talked with labor leaders to whom they expressed their support against labor code reforms.

Likewise, graduates students from Bolivar Institute remained in the park for awhile, but eventually peacefully withdrew from the area.

A number of trucks carrying riot police, who were watching the proceedings, were stationed in the Urraca Park.

### Ministers' 4 Aug News Conference on Protests

*PA0408184595 Panama City Radio and Television Networks in Spanish 1725 GMT 4 Aug 95*

[News conference by Government and Justice Minister Raul Montenegro, Labor Minister Mitchell Doens, and National Police Director Oswaldo Fernandez with local reporters at the Presidential Palace in Panama City — live]

[FBIS Translated Text] [Montenegro] Far from demonstrating a well-centered and responsible attitude, the labor movement opposed to the reforms to the labor code has demonstrated that — without having the necessary support — it has tried to carry forward a struggle with actions and disorder in the streets. These actions were aimed at impairing and disrupting public order and harming the citizens who were on their way to work this morning, as well as other citizens who exercising their right to free transit, were on their way about the capital city.

This has taken place at a time when the rest of the country is entirely calm and is respecting the law of the land. These street disturbances that took place this morning have caused multiple damages, damages to people and to the property of third parties.

The responsibility for these actions falls directly on leaders of the movement led by the Single National Union of Construction and Related Workers, Suntracs.

This Coordinating Board of the Movement Against the Labor Reforms is deliberately promoting these acts of public disorder, trying to incorporate certain student sectors so as to increase street violence. The National Government wishes to inform citizens that what they want is a martyr with the purpose of blaming the government and therefore justifying their actions to win supporters for this movement, which has not been supported by the Panamanian people.

To give you information on the chronological and exact order of the events occurred this morning, National Police Director Oswaldo Fernandez will make the following presentation:

[Fernandez] Good morning, ladies and gentlemen of the press. For the general public's information, and with your permission I would like to read a report on the more significant of today's events in Panama City, listed in chronological order. I reaffirm the government minister's statements regarding the fact that the rest of the country is reporting total calm. The only incidents that have taken place have been in Panama City. For your information and that of the public in general, I will now read a chronological report on said incidents.

At exactly 0643 this morning, several traffic jams and road blocks occurred along the city's more important roads and highways: Transisthmian Highway, Ricardo J. Alfaro Ave., Balboa Ave., Tocumen Highway, and Chilibre. This created enormous traffic congestions.

The National Police, by way of its Riot Control Unit, proceeded to clear these areas. The death of Mr. Carlos Alberto Brown, 40, was reported at 0830. He fell from a bus moving along the Transithmian Highway, near the University of Panama, while there were road blocks being set up there. Mr. Brown worked at the Technological University of Panama. We would like to emphasize here that no hospitals have reported the death of any other person for reasons directly related to the incidents.

At 0840 violence broke out near the Riba-Smith Supermarket. Demonstrators hurled stones at police vehicles, specifically a bus. They broke all the windows and injured several policemen traveling on the bus.

At 0900, police clashed with demonstrators on Balboa Avenue near the Comptroller General's Office. Sargent Hilario Mendoza and Private Isaac Gonzalez were seriously injured. Mendoza has lost a finger and Gonzalez was very seriously cut on his forehead.

At 0930 we received a report about a drive-by shooting from a privately owned gray Hyundai automobile against a crowd in El Dorado. If I may, I would like to pause here for a moment to state that many citizens faced the demonstrators. We asked the demonstrators not to affect the rights of third parties, however, that was the first thing they did.

At 0940 we received a report of a burning taxi in Vista Hermosa.

At 1000 the crowd took two motorcycle policemen hostage in the vicinity of the Papal Nuncio's residence. They destroyed the motorcycle and threw it into the Mataznillo river and the two police officers were held hostage until our units managed to rescue them.

At 1030 it was reported that two persons, by the names of Jose Rodriguez, 28 year old, and Alejandro

Jaen, 23 years old, were hurt by stones thrown by the demonstrators.

At 1100 a very small group of National University students stole a police motorcycle while a traffic policeman was dealing with a collision that had nothing to do with the other ongoing problem. The motorcycle was taken onto the university campus. I would like to add here that when the two motorcycle policemen were taken hostage, the demonstrators took their weapons. We recovered a rifle, but a 9-mm pistol is still missing. It is still in the hands of the crowd that attacked them.

At 1200 we were advised that the police had Balboa Avenue under control. Normal traffic has been mostly restored. The same goes for the National Institute High School, where there was some disturbance and several students were arrested.

The information I can give you right now is that 52 people have been arrested. Four of them are minors and have been placed at the orders of the youth police [Policia de Menores] and the rest are in the custody of the corresponding authorities. This is all we have to report. The situation is basically under control right now. I want to thank the community for the support given to the National Police. Citizens helped us transfer our staff to the place of the riots as well as to hospitals. I believe this is the civic awareness that all citizens should have. Citizen must support their authorities.

[Montenegro] Minister Mitchell Doens will make an announcement on the current labor situation at a national level.

[Doens] As the government and justice minister and the national police general director have stated, the situation in the rest of the country remains calm. The independent banana sectors in both provinces, Chiriqui and Bocas del Toro, are working. The banana union members in Changuinola are all working. The [word indistinct] activities in the central provinces, Colon, and Panama, are also being furthered without any irregularities. This includes the ports, transportation, and public sectors.

In Chiriqui, the banana union has indeed furthered a strike. This strike has observed respect for the other activities in the province and we hope it will continue to do so. The strikers in Chiriqui have not attempted to impose their strike on anyone through violence. And, as the government and justice minister and the police director have reported, there are several areas, which are truly important to the transport sector, where workers have set up roadblocks to impose their strike on the rest of the people, firms, and other workers. They have attempted to impose this action through violence and with what is commonly known as wildcat strike in legal jargon.

We, as has been stated by those who preceded me, hope the situation will return to normal soon, especially in the areas we have mentioned. The National Assembly continues to debate the issue that concerns us, that is the modernization of labor relations, at this time. Thank you.

[Montenegro] To end this news conference, I want to announce to the citizens that I personally surveyed the Legislative Assembly premises this morning. The National Government has taken the necessary steps to give total and full guarantees to the legislators so that, free from all pressure and violence, they can debate the labor law reforms. I also want to clearly state that we will be stringent in implementing the law and the legal statutes to ensure that citizen rights are not negatively affected and that all citizens can carry on their activities in a state of law and that their rights will be fully respected. Thank you.

[Unidentified reporter] Colon leader Marcos Allen staged incidents in the assembly 72 hours ago. Minister Doens confirmed that he was arrested. Do you have arrest warrants for the Suntracs leaders?

[Montenegro] At this time we do not have any orders. We are only processing the people arrested for attacking violently citizens who freely transited and for damaging private property — vehicles and commercial outlets.

[Unidentified reporter] Since the strike is going to continue, what measures will the government adopt in the streets? Will there be more repression?

[Montenegro] I want to clarify that there has been no type of repression up to now. The police have only complied with the laws and opened the thoroughfare for Panamanians. This is the government's position. We will comply with the existent laws and exercise our authority to this end.

[Unidentified reporter] [Words indistinct]

[Montenegro] We have avoided the use of force up to now. The government's will is clear in this respect. We do not want to resort to it.

[Unidentified reporters] Are there labor leaders among the people arrested?

[Montenegro] I have not been informed that a labor leader is under arrest.

[Unidentified reporter] Oswaldo Fernandez, how many policemen [words indistinct]?

[Fernandez] We have a report that a total of five policemen have been injured up to now. Other policemen received blows too, but those were less serious. Two of the five policemen injured are in serious conditions.

[Unidentified reporter] What position will the labor ministry hold if the strike continues?

[Doens] The labor ministry does not have the authority to declare a strike legal or illegal. The legal authorities are the ones empowered to do so. However, we, as government, believe one of our main tasks is to govern and exercise all the authority that the law grants us. We have presented a bill to the Legislative Assembly — as has been done at other times in the past — and we are going to maintain this bill.

We do not believe that at this time neither the citizens nor the majority of the workers, and much less private enterprise, are supporting a position that is truly deplorable, arbitrary, and violent; a position adopted by those who have not had the courage to sit down at a table to seek a consensus, engage in a debate, or express their viewpoints.

These issues have been debated in the country over the past 10 months. For the past 10 months we have been up and down the length and breadth of the Republic of Panama talking to labor leaders, businessmen, politicians, and Indian leaders about these proposals, so it is not true that we are trying to impose anything on anyone, as some people have charged.

We have used all available methods of persuasion, we have resorted to all legal options, and we have held a first debate in which even those who are opposed to the measures have participated. So it is truly deplorable that those who do not stand to reason have had to resort to violent methods which, in the long run, affect people who do not share their views.

[Unidentified reporter] Mr. Minister: Does this mean that the possibility of a dialogue has been ruled out?

[Doens] The possibility of a dialogue continues to exist. This government is pro dialogue; it is a consensus-seeking government. We have said that consensus-seeking would be one of our permanent political tools. I believe, however, that one cannot set up a dialogue with someone who abruptly destroys a bridge and uses violence when he does not stand to reason and is not willing to participate in a dialogue.

[Unidentified reporter] I have a question for the director of the National Police. The Legislative Assembly sessions are going to continue into the night. Will steps be taken to enhance security so that criminals cannot take advantage and sack businesses, for example?

[Fernandez] Definitely yes. All of these possibilities have been taken into account. They are merely possibilities, but they have not been ruled out. We are going to provide full security to the Legislative Assembly as we have until now.

[Unidentified reporter] And how about the stores?

[Fernandez] We are going to provide security to all of the people in the country, because this is our legal responsibility and our constitutional duty.

### ARI Official Against Moving Paitilla Airport to Albrook

*PA0808161995 Panama City LA PRENSA in Spanish 6 Aug 95 p 1A*

[Report by Lastenia Murillo Munoz]

[FBIS Translated Text] Interoceanic Region Authority (ARI) Administrator Nicolas Ardito Barletta disagrees with moving Paitilla's Marcos A. Gelabert Airport facilities to the Albrook airport, as the Civil Aeronautics Directorate (DAC) has requested.

"The DAC insists on moving from Paitilla to the Albrook airport, but we have recommended that Albrook be used to expand the Balboa and container ports," Ardito Barletta stated.

Ardito Barletta said that technical studies have been started to convince the DAC that Albrook is not the best location to have the Paitilla international airport.

Hotel chains have suggested that the land where the Paitilla airport is located be used to build big hotels to promote tourism. The people who live near the Paitilla airport grounds are asking for its relocation because it poses a hazard.

DAC Director Eustacio Fabrega stated recently that the Paitilla airport is a "problem," which is why he is talking with U.S. Government officials. He wants to move the air terminal to Albrook to prevent accidents in view of the city's growth.

## Argentina

### Views On President's Plan Against Unemployment

*PY0908011395 Buenos Aires LA NACION in Spanish 3 Aug 95 p 6*

[Editorial: "The Government in the Face of Unemployment"]

[FBIS Translated Text] The president's initiative to undertake public works to combat unemployment — as announced on 1 August — may contribute to alleviating this problem in the medium and long term, but will hardly provide an immediate solution to this problem at this juncture of our country's macroeconomic, legal, and labor situation.

These public works — the usefulness of which may be questioned, but not justly denied — will not be directly undertaken by the state; a public bidding will be called for the concession of the works. They will therefore be financed by private investors and will not impose new demands on the nation's coffers. This modality is indicative of a cautious attitude, nourishing hope that the solution to the problem of unemployment will be found in more permanent and efficacious actions than those relying solely on direct government investment, which would necessarily be managed by an administration on a tight budget that would thus be unable to efficiently discharge the duties that it could not delegate.

This does not mean that the state should wash its hands of the task of alleviating the urgent human necessities arising from unemployment. Despite the difficulty of this task, it will entail less serious consequences than what the incumbent administration would have to face if it were to embark upon some "plan" to reduce unemployment through force.

In fact, the only scheme capable of producing sound and decisive effects entails a serious and coordinated effort by the incumbent administration as a whole to drastically wipe out from the economic scene all factors generating economic and financial risks. The administration will thus reestablish the necessary conditions for resuming the economic growth registered until the first quarter of 1995.

The full restoration of confidence would surely not take long to translate into a drop in the risk-country rate and in domestic interest rates. The increase in interest rates that accompanied the crisis hitting the financial and banking systems last summer and autumn naturally had a noticeably adverse effect on the private sector's decisions, particularly those affecting the hiring of personnel.

The reduction in employers' contributions — which was included in the package of measures announced by the head of state on 1 August — is clearly geared to lowering the cost of hiring labor and easing the burden of wages. Nevertheless this decision, as well as the public works announced, still lack the necessary stature and weight to resolutely promote the creation of new jobs. This situation is compounded by the massive incorporation of technological devices, which lowers the traditional demand for labor.

It is, therefore, obvious that only a boost in investments that promote and sustain growth will increase demand for manpower. Progress in this direction could only be accelerated through a substantial decrease in average labor costs, which could be achieved by reducing employers' contributions to minimum levels and, concurrent with this, by deregulating and streamlining requirements for hiring labor so as to stimulate the creation of new jobs and the materialization of new openings on the market.

The public is increasingly aware of the fact that the current labor situation does not bestow benefits upon anyone, neither the social security system, nor the welfare system, nor even the trade unions. This is the right moment, then, for the government to seek remedies along the above mentioned lines. The search for those solutions will not demand incredible daring, at least not greater than that needed to set in motion the deregulation and privatization of the Argentine economy.

## Bolivia

### Government Appoints Social Defense Secretary

*PY0808134395 La Paz PRESENCIA in Spanish 22 Jul 95 p 6*

[FBIS Translated Text] Victor Hugo Canelas, who until yesterday was the under secretary of controlled substances, was installed as the new social defense secretary of the Government Ministry. He replaces Mario Soliz who resigned for personal reasons.

Government Minister Carlos Sanchez Berzain installed Canelas in his new post. Canelas is the third social defense secretary and administrative head for drug enforcement since 6 August 1993 when the coalition of the Nationalist Revolutionary Movement (MNR) took over the administration.

Assuming this new responsibility, Canelas said he unconditionally supports the head of the government ministry. He emphasized the success of interdiction against trafficking gangs and the progress made in coca eradication in the Cochabamba tropical region. He added that he personally headed this task for the past three months in that region.

Government Minister Carlos Sanchez Berzain recognized the work by Mario Soliz who is returning to private activities in the mining sector.

Minister Sanchez Berzain reiterated confidence in his immediate aides: Hugo San Martin in the Interior Affairs Secretariat, Jose Luis Harb in the Drug Prevention Under Secretariat; and Edgar Tapia in the Alternative Development Under Secretariat.

### Resigning Drug Enforcement Official in Europe

*PY0808133095 La Paz LA RAZON in Spanish 19 Jul 95 p A2*

[FBIS Translated Text] Social Defense Secretary Mario Soliz officially announced yesterday he is leaving the post that was entrusted to him by President Gonzalo Sanchez de Lozada late in 1993. He said he is leaving for personal reasons.

"My time as social defense secretary has ended, I must return to my private activities," said Soliz in his last news conference to report on his resignation and his tour of three European countries.

He said that when Carlos Sanchez Berzain became government minister, Soliz made a pact with him to continue until 1,800 hectares of coca had been eradicated, and that this situation was known by the president.

The results of his tour, from 20 June to 10 July through Germany, Italy, and England, to get financing for alternative development and coca eradication can be seen in the good intentions he received in those countries.

Soliz explained that in Germany he requested cooperation worth $556 million for the study of 38 projects that are in the second phase of the Overall Plan for the Tropical Region of Cochabamba.

He said he sought support for projects involving the registration of rural property, forestry development, and cooperation in the transfer of agroindustrial plants of Chapare.

Soliz said: "I asked the international community, beside the multilateralization of drug enforcement, to finance the eradication of coca for $7,000 per hectare, of which $2,500 would go to the grower and $4,500 to help participative alternative development. There was interest in this proposal."

He said during his visit to Italy, he sought financial cooperation for development projects of private agroindustrial investments in Chapare, which requires about $12 million.

Soliz said that during his meeting with British officials, he proposed the enlargement of the cooperation program to provide minimum services for basic rural sanitation. The plan is to prevent addiction and to rehabilitate addicts.

### FELCN Consider Sucre Retail Drug Center

*PY0808132595 La Paz HOY in Spanish 20 Jul 95 p 3*

[FBIS Translated Excerpt] Sucre — Edmundo Chopiter, head of the Special Antinarcotics Force (FELCN) in Chuquisaca, considers Sucre the retail drug center due to the number of students who live here and its geographic proximity to the so-called red zone, Chapare.

Chopiter said Sucre has all the characteristics of a consumer center due to the great number of students in this capital.

Aside from being a production center, Edmundo Chopiter said Sucre is also used as a "bridge" by traffickers due to its closeness to the border.

The FELCN commander said: "This possibility exists: The precursors come from Chile, Brazil, and Argentina, and we are near the red zone so traffickers might be using this route."

About a week ago FELCN agents seized 30 liters of sulphuric acid because the owners did not have the necessary permit.

Without explaining further, the FELCN commander said he has information about marijuana plantations in Chuquisaca.

He said the FELCN in Sucre does not have the necessary elements to carry out operations, adding that he is also in need of food for its troops. [passage omitted]

## Brazil

### Three Economic Constitutional Amendments Pass

*PY0808234895 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 8 Aug 95*

[Report by Flavio Figueiredo from the Brazilian Congress]

[FBIS Translated Text] The Senate this afternoon approved in the second round three economic amendments to the Constitution.

The amendment to end the state monopoly over the distribution of piped gas was approved by a vote of 61 to seven; the amendment changing the concept of a Brazilian company was approved by a vote of 61 to 12; and the amendment ending the state monopoly over shipping from one Brazilian port to another was passed by a vote of 51 to 10. All these amendments will now be promulgated by Congress President Jose Sarney.

On 10 August the Senate is also scheduled to vote in the second round on the amendment ending the state monopoly over telecommunications. The Senate would then have to vote in two rounds on the amendment ending the state monopoly over petroleum.

### Governors To Submit Another Fiscal Plan

*PY0808155495 Sao Paulo AGENCIA ESTADO in Portuguese 2305 GMT 7 Aug 95*

[By Evaldo Magalhaes, Monica Izaguirre, and Ricardo Amaral]

[FBIS Translated Text] Belo Horizonte, 7 Aug (AE) — The 23 governors who met in Belo Horizonte to discuss the fiscal reform did not reach a consensus on the proposal presented by Justice Minister Nelson Jobim, Finance Minister Pedro Malan, and Planning Minister Jose Serra. Some of the governors are organizing another meeting to present an alternative proposal. The government tried to avoid this situation by sending the three ministers to the meeting organized by Minas Gerais Governor Eduardo Azeredo (PSDB) [Brazilian Social Democracy Party].

Rio Grande do Sul Governor Antonio Britto (PMDB) [Brazilian Democratic Movement Party] and Parana Governor Jaime Lerner (PDT) [Democratic Labor Party] most harshly criticized the government proposal. Britto, who left before the end of the almost five hour meeting, said: "This proposal is not ripe, although the government's intention is good. If the government wants, I can place my experts at its disposal 24 hours per day to help draft a more consistent proposal. The current proposal will not stand up in Congress."

Lerner said: "It is useless for the government to offer virtual gains. The state administrations cannot use them to overcome their problems. We cannot even consider the possibility of any sort of loss." Lerner thus referred to the establishment of a fund to compensate the losses that some state administrations will have when the Goods and Services Movement Tax stops being collected on exports, capital goods, and agricultural inputs. The suspension of this tax is contemplated in the first part of the proposal.

Sao Paulo Governor Mario Covas (PSDB) said: "From the general point of view, we seem to have reached a consensus, but we can only give our opinion on the issue after seeing proposal and figures in writing. I think the basic idea is good and the scheduling is reasonable but I want to see a written proposal to know how much I will make and how much I will lose.

The governors were also dissatisfied about another obscure item: The federal government still does not have information — or at least has not reported — on how long the state administrations would be entitled to this compensation fund. Lerner complained: My state will have immediate losses in tax collection, but I still don't know for how long this fund will compensate us for our losses, or how it will function."

The idea of another governors' meeting was supported by Espirito Santo Governor Vitor Buaiz and Federal District Governor Cristovam Buarque, both of the Workers Party. Buaiz said: "The government showed that its proposal is not complete and that it is looking for contributions from the governors before sending the proposal to Congress, where it risks not being approved."

The meeting also showed there is a great deal of dispute among the governors. A finance secretary who attended the meeting said: "We cannot accept a policy that pitches states against each other." Host Governor Azeredo said he was satisfied because the meeting offered the first opportunity for a direct debate between the federal government and the state governors. He said: "It is evident that we must now have details on these proposals."

### Secretary, Advisers View Real Plan, Economy

*PY0808144495 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Jul 95 p B2*

[Article by Economic Policy Secretary Jose Roberto Mendonca de Barros and advisers Gesner Jose de Oliveira Filho and Rogerio Mori: "Economic Activity and the Real Plan"]

[FBIS Translated Text] At this stage of the stabilization program it is essential to make a thorough analysis of the real level of economic activity in the country. If we run excessive demand or an open recession we would lose the important victories achieved so far through the Real Plan. Despite that we frequently see people carelessly analyzing the situation. This can lead to hasty diagnoses, which are often sensationalistic.

A few months ago there were exaggerated projections of increased demand and of an allegedly benign official policy that should have been controlling it. This brought about prospects of a rise in the inflation rate. The indexes showed changes in the level of growth and several warned that measures to control demand would force the economic activity to collapse. A drop in the level of industrial jobs, increasing unemployment, a significant rise in the number of insolvent enterprises, an agricultural crisis, and consequent difficulties arising in the country were identified as signs that corroborated this diagnosis.

But a more careful analysis shows the recession diagnosis is unfounded. Regarding the dropping level of jobs in Sao Paulo state industries we must point out that Sao Paulo's participation in the overall Brazilian industrial activity is decreasing, and that data show the overall number of jobs increased in May and June. The overall unemployment rate — which is monitored by the State Data Analysis System/Inter Union Department for Statistics and Socioeconomic Studies — was 13.5 percent in April, 13.4 percent in May, and 13.2 percent in June. Labor Ministry reports contain similar figures and state that, compared to April, the number of jobs increased by 0.34 percent in May — some 83,000 new jobs.

Although insolvency has increased over the past few months, there are already signs that it is decreasing. Serasa [Association of Banking Services, Inc.] reports show that compared to May, the number of documents that have failed to be honored by individuals and corporations dropped by 15.1 percent in June; that the number of creditors' meeting decreased by 37.9 percent, and that the number of bankruptcies in the period dropped by 19.9 percent. The number of bad checks written in June is expected to remain similar to that of May. In the next few months, the level of insolvency is expected to drop or, at least, remain the same.

As to the drop in industrial production, it must be pointed out that available data does not confirm reports of a significant drop in the level of activity. The unseasonable Activity Level Indicator (INA) — which is measured by the Sao Paulo State Federation of Industries — shows Sao Paulo reduced its production rhythm in June, although the production level remained high at 80.5 percent of the installed capacity, just 2.3 percent lower than the maximum level reached during the 1990's (March 1995).

Brazilian industrial expectations indicated an economic cooling off in June. It must be emphasized, however, that this is not true of all industrial areas. Electronics, for example, showed good performance from January to June. Although sales dropped in April and May, they increased in June. The Ipea [Applied Economic Research Institute] growth estimates do not point to an alarming recession. Ipea states that the economy will grow an overall 6.1 percent in 1995. This is higher than the 5.7 percent recorded last year. Some areas, however, have serious problems and the government is already adopting measures to solve them. Agriculture has been receiving special attention in view of adverse conditions that have caused earnings to drop. The government has already adopted measures to solve these problems.

In the automotive area, Provisional Measure 1047/95 defines an industrial policy and stimulates the resumption of productive investments. The government has examined the situation of areas that need productive reorganization, among them the areas of shoe manufacturing, textiles, and toys. The Real Plan has caused a different phenomenon from the one during the Cruzado Plan when a demand outbreak, associated with a sudden drop in the inflation rate, could not be curbed and helped to cause the failure of the plan. Disappointment and a drop in people's income followed the phenomenon and caused an economic crisis characterized by bankruptcies and unemployment.

In the implementation of the Real Plan, however, the government has taken care to prevent excessive demand. There had been a cycle of indebtedness that generated internal mechanisms to curb consumption. The shortness of currency and the recent financial difficulties faced by private enterprises are associated to a cycle of excessive use of credit that followed the implementation of the real. The resumption of credit mechanisms also involved the admittance into the market of several new financial agents who sometimes could not select the types of credit to be granted or evaluate risks.

From the point of view of production, a strong increase in consumption led to unrealistic growth rate estimates. This phenomenon was reflected even in generating a strong demand for imports, including inputs and raw material imports. It would be natural, therefore, to expect this phenomenon to decrease once the expansion rates are reviewed. What we are witnessing is a gentle slowing of the economy, which strongly varies from area to area. It calls for intensive government control, but is far from being a collapse in the areas of production and consumption. This is consistent with a decreasing inflation rate for the next few months.

The considerations of this analysis seem to avoid minimizing the danger of adopting lenient policies. In the past, the malignant results of said policies have already made the government face a series of sad failures in its attempts to stabilize the economy and defeat Brazilian inflation. More important, however, is that these efforts do not reduce, but strengthen our hope that Brazil may now have the required conditions to fulfill its historic role in the field of economic growth.

## Roundup of Economic Reports

*PY0708175095*

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 4 August.

### Production

Brazilian grain production will hit a new record this year of 80,084 metric tons according to a study of the June agricultural production by the Brazilian Geography and Statistics Institute, IBGE. The document states that the planted area dropped by 3.33 percent. The forecasted record production for this year is 6.53 percent up on the 1994 record production of 75.175 billion metric tons. The document was approved by the planning and agriculture ministers. (Sao Paulo AGENCIA ESTADO in Portuguese 2112 GMT 25 Jul 95)

Industrial production in Rio de Janeiro is down according to a study in June by the Rio de Janeiro State Federation of Industries, Firjan. The study compares the industrial performance in June with that of May. It shows that employment dropped by 0.06 percent, worked hours dropped by 2.48 percent, and the real value of salaries dropped by 0.92 percent. Firjan President Eugenio Gouvea Vieira said nearly 4,400 employees were fired from Rio de Janeiro industries in May and June. Most of the dismissals were in the shipyards. (Sao Paulo GAZETA MERCANTIL in Portuguese 25 Jul 95 p A7)

A study on the performance of small and middle size industries during the April, May, and June by the National Confederation of Industry, CNI, shows that most industries registered a drop in production, sales, earnings, employment, and investments. The study was carried out among 593 industries in 14 states. This drop is the consequence of the government measures to reduce consumption. The study shows 46.02 percent of industries dropped in production. This was more evident in smaller industries. Nearly 70 percent suffered losses in sales, 51 percent were forced to reduce their profit margin, and 56 percent reduced their liquidity. (Sao Paulo AGENCIA ESTADO in Portuguese 1336 GMT 26 Jul 95)

A study by the Brazilian Association for the Development of Basic Industries, Abdib, shows the idle capacity of the Brazilian capital goods industry stands at 60 percent. Businessmen Roberto Caiuby Vidigal and Claudio Bardella say this industry is experiencing its worst crisis because even exports are slowing down because of the exchange rate. Abdib Director Ralph Lima Terra said the biggest clients are state companies which have reduced their orders because of budget cuts. Vidigal said no new sanitation projects are being constructed, thus reducing expectations of new orders. Claudio Bardella said the government encouraged the import of capital goods through import exemptions. (Sao Paulo AGENCIA ESTADO in Portuguese 1513 GMT 26 Jul 95)

The Sao Paulo State Federation of Industries, FIESP, reports that Sao Paulo industrial production dropped by 4.3 percent in June compared with May, while sales dropped by 5.4 percent. The industrial activity level was the lowest so far in 1995, considering seasonal effects. The real salary value dropped by 1.7 percent. Despite the drop of production in June, production was still higher than that of June 1994. Industrial activity level was 16 percent greater in June 1995 than in June 1994. The FIESP report states that the food, beverages, and pharmaceutics industries still have stable or increasing production. The strongest production drop was felt in the packaging, fiber, textile, clothes, and car industries. (Sao Paulo AGENCIA ESTADO in Portuguese 1513 GMT 26 Jul 95)

### Exports & Imports

Brazilian Steel Institute President Reinaldo Campos Soares said that Brazilian steel exports registered a 30 percent drop during the first half of the year compared with the same period last year. He said that all steel mills will have to reprogram their production. (Sao Paulo AGENCIA ESTADO in Portuguese 1337 GMT 26 Jul 95)

Although paper and cellulose production increased, exports dropped during the first half of 1995 compared with the same period last year: paper exports dropped by 6.1 percent and cellulose exports dropped by 23.9 percent. This was reported by Osmar Elias Zogbi, president of the National Association of Paper and Cellulose Manufacturers. He said that during the first half of the year domestic sales increased by 7.3 percent and cellulose sales by 20.9 percent. Production of paper during the first half of the year amounted to 2,750,759 metric tons, 4.9 percent more than the same period 1994, while cellulose production amounted to 2,687,775 metric tons, 11.4 percent up on the same period last year. (Sao Paulo AGENCIA ESTADO in Portuguese 1504 GMT 26 Jul 95)

The Foreign Trade Chamber members met yesterday at Planalto Palace. It decided to encourage investments in the Brazilian car industry and to reduce import taxes on capital goods from 18 to 2 percent as of 26 July, well ahead of the foreseen date in January 1996 when the Provisional Measure on the import quotas will have to be reissued. The percentage of required national parts for cars built at the car factories dropped from an average 60 to 50 percent. This benefits the investments

Volkswagen is making in Resende because it allows 50 percent of its vehicles to made from imported parts. (Rio de Janeiro O GLOBO in Portuguese 26 Jul 95 p 27)

Embraer, Brazilian Aeronautics Company, has closed a deal to sell its EMB-145 regional jet. BWIA International Airways headquartered in Porto of Spain, Trinidad and Tobago, has purchased 10 of these planes of which 5 are confirmed orders and 5 others are purchase options, in a deal involving $150 million. The average price of a EMB-145 jet is $14.5 million. The first planes will be delivered by the end of 1996. The negotiations with Embraer were made during the Le Bourget fair in France last June. BWIA will use the planes to link Port of Spain with Caracas, Venezuela; Georgetown, Guiana; Saint Johns, Antigua; San Juan, Puerto Rico; and Kingston, Jamaica. Embraer this week began to ground test the turbines for the first EMB-145. (Sao Paulo GAZETA MERCANTIL in Portuguese 27 Jul 95 p C1)

**Privatization**

Mines and Energy Minister Raimundo Brito said in Belo Horizonte on 26 July that the government has authorized six concessions to build hydroelectric plants through private initiative. Together, these projects will generate more than 3,100 megawatts — 6 percent of the current national energy demand — for an investment of $2 billion by 1998. He did not reveal the names of the companies that were authorized by the National Water and Electric Power Department, DNAEE, to build new hydroelectric plants, but he said the government could consider the Fiat car company because it already has a plan to build its own hydroelectric plant in northern Minas Gerais. (Sao Paulo GAZETA MERCANTIL in Portuguese 27 Jul 95 p A10)

**Foreign Investment**

Renault Car President Louis Schewietzer announced that his company will open a factory in Brazil through a 5 billion francs investment. As of 1999, the Renault factory should be producing 100,000 cars, particularly the model that comes after the R19. He said the factory will be in southern Brazil. (Sao Paulo AGENCIA ESTADO in Portuguese 1944 GMT 27 Jul 95)

Calisto Tanzi, largest shareholder and president of the administrative council of the Parmalat SpA milk company, reported on 28 July that company investments in Brazil in 1995 will amount to $50 million with an additional $55 million for distribution and marketing. He said Brazil provides 30 percent of Parmalat's world income. (Sao Paulo FOLHA DE SAO PAULO 29 Jul 95 Section 2 p 3)

Manoel Otavio Pereira Lopes, former president of Alcatel Telecommunications Company of Brazil, has sold his 9.29 percent of voting stock and 7.4 percent of preferred stock to the French Alcatel group. This means that French shareholders now posses 49 percent of the voting stocks. The other owners are Itau with 31.8 percent of voting stock, Cataguazes Leopoldina with 9.8 percent, and the Ipiranga Group with 8.71 percent. In the past two years Alcatel Brazil registered $80 million losses. Like AT&T and Motorola, who arrived in Brazil as of 1990, Alcatel has found it difficult to sell its products to the government. For 12 years, NEC, Equitel from Siemens, and Ericsson have provided, thanks to a market reserve, large telephone installations to Brazilian Telecommunications, Telebras. Although the market reserve ended four years ago, current orders by Telebras stem from old contracts. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 28 Jul 95 Section 2 p 7)

**Domestic Investment**

The Printing Industries Association of the Federal District will launch at the beginning of August a printing center thanks to a $10 million loan from the Bank of Brazil. This printing center is the fourth largest in Brazil, with nearly 160 printing companies. The association says it will produce 4 million books per month at lower costs than other printing industrial centers. The Brasilia printing center will initially print technical and literature works. As of 1997 it will also publish school books. (Sao Paulo AGENCIA ESTADO in Portuguese 2131 GMT 25 Jul 95)

The main Brazilian paper and cellulose manufacturers plan to invest a total $6.6 billion by 2000. Aracruz, of the Votorantim group, and Suzano-Feffer have already invested a total $900 million. An unfinished study by the group headed by businessman Boris Tabacof foresees a $10 billion investment by 2005. Aracruz states in 1994 Brazil produced 5.4 million metric tons of cellulose and 5.7 million metric tons of all kinds of paper, which makes Brazil the 17th largest producer in the world. In 1994 this sector employed 109,000 people; 66,000 in industries, 43,000 in lumbering. The jobs generated by this industry has reached 500,000. The cellulose and paper industry invested $6.7 billion between 1989 and 1994. The income of the paper and cellulose industry last year amounted to $6 billion, some 3 percent of the national industry GDP; exports amounted to $1.8 billion and imports were $388 million. More than 1.4 million hectares of forest were planted. The Aracruz study shows that more than $200 million were spent in infrastructure, like sanitation projects, hospitals, schools, and housing. The study states that the main needs of the industry are a solid and stable forestation policy based on sustained development; a financial policy compatible with foreign costs and terms for large industries; lighter taxes on exports; and a clear definition of the role of the government and private companies to solve infrastructure problems. (Sao Paulo AGENCIA ESTADO in Portuguese 2204 GMT 25 Jul 95)

A poll carried out by the Brazilian Electra-Electronic Industry Association, ABINEE, shows investments in industrial machinery and equipment dropped by 11.9 percent in June for the first time in 12 months. Sales in the first half of the year were very good compared with the same period last year. Industrial equipment sales increased by 63 percent in 1995. Sales of electronic consumer goods increased by 35 percent. Sales of consumer goods, especially electric house appliances increased by 0.6 percent thanks to many promotions and sales. ABINEE expects industrial machines and equipments sales to drop by 10 percent during the second half of the year in comparison with the first half. (Sao Paulo AGENCIA ESTADO in Portuguese 2129 GMT 27 Jul 95)

On 27 July, President Fernando Henrique Cardoso made three good announcements for Rio de Janeiro State: The immediate release of 26 million reals, R, for investments in the Port of Sepetiba; the administration of the Docas de Rio de Janeiro port company will be transferred to the State of Rio de Janeiro; and he authorized Petrobras, Brazilian Petroleum Corporation, to invest R410 million in the chemical gas program of the Duque de Caxias Refinery, which will be the base for a future petrochemical industrial center. (Sao Paulo AGENCIA ESTADO in Portuguese 2147 GMT 27 Jul 95)

On 27 July Brazil assumed the presidency of the Paraguay-Parana Rivers waterway committee. Studies for this project, which cost $11 million, are being financed by the Inter-American Development Bank, IDB. Diplomat Marcelo Jardim, chief of the Meridional Americas Department of the Foreign Ministry, will head until December the negotiations among the five countries that will benefit from this waterway. They are: Argentina, Bolivia, Brazil, Paraguay, and Uruguay. The involved companies are Hidroservice of Brazil; Estudos de Engineria Hidraulica from Argentina; Louis Berger, from the United States; and the Canadian group Taylor Engineering, which was contracted by the IDB to evaluate the environmental impact of the project. They are preparing a technical feasibility study that will be ready by the beginning of 1996. (Sao Paulo GAZETA MERCANTIL in Portuguese 27 Jul 95 p A8)

### Legislation on Fuels

Mines and Energy Minister Raimundo Brito today announced in Belo Horizonte that he will sign a provision allowing natural gas to be used as fuel for all vehicles. It will no longer be restricted to buses, taxis, and company cars. He said the government wants to use natural gas to produce ethylene which is used by the petrochemical industry. The minister added that the initial objective of this measure is to encourage the expansion of new gas stations for cars, to develop a lower-cost motor conversion industry and kits, and to reduce pollution in the cities. The government also wants to better use the excess natural gas that is being burnt off by Petrobras because of lack of consumption. (Sao Paulo AGENCIA ESTADO in Portuguese 2155 GMT 25 Jul 95)

### Balance of Payments

Central Bank President Gustavo Loyola reported that the available hard currency reserves climbed from $31.492 billion in June, to $36.471 billion in July, which is the same level of last December. This increase is due to the sudden inflow of $3.789 billion of hard currency attracted by the high interest rates paid in Brazil. Additionally, the $750 million obtained through the sale of Eurobonus in Germany were directly added to the reserves. (Rio de Janeiro O GLOBO in Portuguese 29 Jul 94 p 23)

### Company Profits

Consultant Stephen Kanitz of the EXAME magazine which published a list of the Best and Largest Companies in Brazil, is impressed with the evolution of sales of the 500 largest Brazilian companies and quoted as an example of growth the sales of commercial companies. The largest companies by sales are: Petrobras, Brazilian Petroleum Corporation, Distributor with $8.6 billion; Shell with $5.2 billion; Carrefour with $3.9 billion; ESSO with $2.98 billion; Texaco with $2.93 billion; Atlantic with $2.91 billion; Pao de Acucar Supermarkets with $2.66 billion; Lojas Americans convenience stores with $2.12 billion; Ipiranga fuel distributors with $2.12 billion; and Makro supermarkets with $1.26 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 1426 GMT 26 Jul 95)

A poll conducted by EXAME magazine shows that the foreign company with greatest sales in Brazil last year were: Autolatina Brasil with $9.66 billion worth of sales; Fiat cars with $6.09 billion; General Motors with $5.87 billion; Shell with $5.26 billion; and Souza Cruz tobacco with $4.29 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 1453 GMT 26 Jul 95)

According to a poll by EXAME magazine the largest open capital companies, by sales, in Brazil are: Petrobras with 421.02 billion; Petrobras Distributor with $8.6 billion; Eletropaulo, Sao Paulo Power, Inc. with $5.10 billion; Souza Cruz tobacco with $4.2 billion; CESP, Sao Paulo Power Company, Inc., with $3.50 billion; Varig, Rio Grande do Sul airlines, with $3 billion; Telesp, Sao Paulo Telecommunications, with $2.9 billion; Vale do Rio Doce Mining with $2.7 billion; CSN, National Iron and Steel Company, with $2.6 billion; and Cemig, Minas Gerais Electric Power Plants, Inc. with 42.3 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 1419 GMT 26 Jul 95)

EXAME magazine reports that the largest closed capital companies in Brazil by sales in 1994 were: General Motors with $5.8 billion; Carrefour with $3.9 billion; Gessy Lever with $3.4 billion; ESSO with $2.9 billion; Nestle's with $2.5 billion; Copersucar, Sao Paulo Cooperative of Sugar and Alcohol Producers, with $2.3 billion; IBM Brazil with $2.2 billion; Xerox with $1.4 billion; Armazem Martins with $1.1 billion; and Casas Bahia with $1 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 1418 GMT 26 Jul 95)

A poll by EXAME magazine shows the companies with greatest total assets in Brazil are: Petrobras with $28 billion; Furnas, Furnas Electric Power Plants, Inc., with 24.6 billion; National Public Railway Network with $21.9 billion; CESP, Sao Paulo Power Company, Inc., with $21.7 billion; Eletronorte, Northern Brazilian Electric Power Plants, with $20.7 billion; Chesf, Sao Francisco Hydroelectric Company, with $20.5 billion; Vale do Rio Doce with $12.4 billion; Eletropaulo, Sao Paulo Power, Inc., with $12 billion; Fepasa, Sao Paulo Railroad, Inc., with $11.8 billion; and Sabesp, Sao Paulo Basic Sanitation Company, with $11.7 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 1422 GMT 26 Jul 95)

The EXAME magazine poll shows that Varig Airlines, through its excellent performance in 1994, became the first national company in income. The largest national capital companies by income are: Varig with $3.01 billion; Atlantic with $2.91 billion; Pao de Acucar with $2.66 billion; CSN, National Iron and Steel Company, with $2.65 billion; Copersucar with $2.34 billion; Lojas Americanas with $2.12 billion; Copene, Northeastern Petrochemical Company, with $2.10 billion; Usiminas with $2.08 billion; Ipiranga with $1.92 billion; and Brahma with $1.87 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 1508 GMT 26 Jul 95)

The Bank of the State of Parana, Banestado, registered a net profit of R14.689 million during the first half of the year, representing 4.08 percent profit on its net assets which currently stands at R360.056 million. Net profits during the same period last year amounted to R13.272 million with a 5.47 percent return. Profits were greater last year because of higher inflation. (Sao Paulo AGENCIA ESTADO in Portuguese 2027 GMT 27 Jul 95)

Bank of Brazil President Paulo Cesar Ximenes reported that the institution lost R2.442 billion during the first half of the year. Net assets now stand at R4.444 billion, down 22.7 percent on the second half of 1994. The bank registered a R1.631 billion loss on bad credits, and a R1.872 billion loss on loans that were considered secure. The bank lost R592 million on exchange rate variations in 1994. Ximenes said the bank has a R425 million job-cutting program to cut 13,000 positions, saving R600 million per year. Personnel expenses have risen 5.2 percent to R3.063 billion. He said 94 domestic branches and 8 branches abroad were closed. Ximenes said attempts will be made to collect the debts in default. He said the total default amounts to 13.9 percent, when a normal level should be 4 percent. Despite all this, the value of its shares increased, reflecting confidence in the measures adopted. (Sao Paulo AGENCIA ESTADO in Portuguese 2259 GMT 27 Jul 95)

Bank of Brazil President Paulo Cesar Ximenes is happy because the National Treasury has recognized the debts it owes the bank. After more than 17 years of negotiations, the treasury has admitted it owes R2.137 billion to the Bank of Brazil. The treasury intends to pay R393 million in cash and the remaining debt in papers. Most of the arrears stems from the 1980's when the bank carried out credit operations by order of the finance ministry with the guarantee of the treasury. The cash payment must still be approved by Congress, and the debt papers are still being negotiated. The bank intends to sell them on the secondary market. The bank has agreed with the government, which owns 29 percent of the common stock and 61 percent of its voting stock, to call the shareholders to increase the bank's capital by R1.5 billion in 1996. This new Treasury expense will be included in the 1996 budget. (Sao Paulo AGENCIA ESTADO in Portuguese 2320 GMT 27 Jul 95)

### Industrial Polls

A National Confederation of Industry, CNI, poll in June on the greatest problems of the Real Plan shows some surprising results. The poll was conducted among 593 medium and small industries in 14 states. Each entrepreneur was allowed more than one answer. They paid little importance to issues that most concern their leaders, like the government consumption-restrictive measures, the liberation of imports, the tax burden, and the high level of insolvency. What really worries them are as follows: 85 percent are worried about high interest rates; 64 percent about credit restrictions; 59 percent about the slowness of constitutional reforms; 41 percent about the slowness of privatization; 7 percent about the lack of definition in the exchange policy; 4 percent about the slowness of tax reforms; 2 percent about consumer restriction measures; 1 percent about the liberation of imports; and 1 percent about the lack of payment of commitments. (Sao Paulo AGENCIA ESTADO in Portuguese 1946 GMT 26 Jul 95)

A drop in production, income, sales, employment, investments, and liquidity describes the April-May-June period among middle and small-sized industries. This is the outlook revealed by a CNI poll among 593 industries in 14 states. The poll shows 52.22 percent of the companies use less than 70 percent of their installed capacity, and only 8.87 of the companies recorded less than 10 percent idle capacity. Some 46.01 percent reduced production during the period, 70 percent reduced their income, and 54.08 percent suffered a drop in sales. Some 51 percent reduced their profit margins and 56 percent registered less liquidity. In addition, 41.94 percent were unable to make investments. However, 55.17 percent registered an increase in interest rates on purchases in installment, and 34.18 percent dismissed employees. (Sao Paulo AGENCIA ESTADO in Portuguese 2020 GMT 26 Jul 95)

### Employment

The Brazilian Geography and Statistics Institute, IBGE, today reported that the national employment rate dropped by 0.1 percent in May compared with April. This is the first drop in 1995. Comparing May this year with May last year, the rate climbed by 3 percent. The accumulated rate between January and May is 2.7 percent, while the accumulated rate in the past 12 months is negative 0.1 percent. (Sao Paulo AGENCIA ESTADO in Portuguese 1356 GMT 27 Jul 95)

The IBGE also reported that the average open unemployment rate was 4.59 percent in June, and 4.49 percent in May, while it was 5.42 percent in June 1994. This refers to the economically active population who were really looking for employment and does not include those who were not looking for jobs. (Sao Paulo AGENCIA ESTADO in Portuguese 1341 GMT 28 Jul 95)

The IBGE reported that the open unemployment rate during the first half of the year was 4.41 percent, the smallest in the past five years. It adds that unemployment dropped in all economic activities, especially civil construction where the rate dropped from 6.77 percent during the first half of 1994 to 5.01 percent during the same period this year. The rate in the manufacturing industry dropped from 6.77 percent to 5.24 percent; and in commerce from 5.74 percent to 4.77 percent. (Sao Paulo AGENCIA ESTADO in Portuguese 1401 GMT 28 Jul 95)

### Prices & Wages

The average industrial wage registered a 2.5 percent real increase in May compared with April this year, maintaining its climbing trend since November last year. This was reported today by the IBGE which added that average industrial wage increased by 6.2 percent in May this year compared with May 1994. It increased by 6.5 percent between January and May, and by 4.1 percent in the past 12 months. Employment in May increased in the chemical industry by 2 percent; and in the food industry, by 2.5 percent, especially due to the sugar cane season. Unemployment increased most in the following industries: tobacco, 12.2 percent; furniture, 2.5 percent; and toiletries and candles, 2.2 percent. (Sao Paulo AGENCIA ESTADO in Portuguese 1437 GMT 27 Jul 95)

## Enriched Uranium for Angra-1 Arrives in Rio

*PY0908002295 Sao Paulo AGENCIA ESTADO in Portuguese 2153 GMT 4 Aug 95*

[Report by Tania Malheiros]

[FBIS Translated Text] Rio de Janeiro, 4 Aug (AE) — At least 10 metric tons of pellets of enriched uranium coming from Europe were unloaded yesterday (3 August) at the Rio de Janeiro international airport. Alexandre Rodrigues, a physician and press adviser for Nuclear Industries of Brazil (INB), has confirmed the report. The enriched uranium will be used for the fifth reload of the Angra-1 nuclear plant. According to Rodrigues, the shipment was sent to the INB's Fuel Elements Factory (FEC) in Resende (Rio de Janeiro), under tight security conditions provided by Federal Police and Civilian Police personnel. The INB has remained silent on the issue.

Senior executives of the state-owned company Furnas Electric Power Plants, Inc., which is responsible for operating the Angra-1 plant, have reported that the plant will be shut down in March 1996 for the uranium reload. The INB adviser confirmed that the overall uranium shipment to be used to reload the plant totals 32.5 metric tons, which is expected to arrive in Brazil by February 1996. Rodrigues said he does not know how much the INB — which is subordinated to the Strategic Affairs Secretariat (SAE) — has paid or will pay for the shipment. Furnas announced that it will pay nearly 40 million reals [R] to the INB for the uranium reload.

Rodrigues reported that the 32.5 metric tons of uranium are equivalent to 81 fuel elements (pellets), which represent two reloads for Angra-1. This means that Angra-1 would need only one reload — which is equivalent to 40 fuel elements — at a cost of $20 million. Yet because defective fuel rods were detected in the plant about two years ago, Furnas has decided to shut it down only once to change the defective rods and to do the reload.

The uranium was enriched by Urenco (a consortium of European countries) and converted into pellets in Germany. Rodrigues said that the 40 fuel elements (pellets) were enriched at 3.2 percent and weigh 16 metric tons, and that the remainder 41 elements will be enriched at 1.9 percent, weighing 16.5 metric tons. He was unable to specify either the actual amount of uranium that arrived in Brazil or the degree of enrichment of the uranium.

Rodrigues said that further clarifications will be given by INB President Roberto Nogueira da Franca, who spent a week in Germany trying to arrange the purchase of $20 million worth of equipment in order to enable the FEC to manufacture the pellets in Brazil. Rodrigues said Franca is now visiting the United States to try to resolve legal problems stemming from a request for an arrangement with creditors filed by Nuexco. In December 1993, the INB signed a loan contract with Nuexco, which delivered 275 metric tons of yellow cake (enriched uranium) to INB. Yet as a result of Nuexco's filing for an arrangement with its creditors, it failed to deliver 27 metric tons of yellow cake to the INB. The case is being heard by a federal court in Denver, Colorado.

## Chile

### Frei Returns From Paraguay, Terms Visit 'Very Positive'

*PY0808234695 Madrid EFE in Spanish 1958 GMT 8 Aug 95*

[FBIS Translated Text] Santiago, 8 Aug (EFE) — In his first statements after arriving in Santiago today, Chilean President Eduardo Frei noted the progress made in the negotiations with Mercosur [Common Market of the South]. Frei was returning from Paraguay, where he had attended the Mercosur summit.

The Chilean president commented on the agreement reached by the four Mercosur member countries in Asuncion for the establishment of a schedule and working program for negotiations with Chile, which is seeking to reach a free trade agreement with this bloc.

The chief of state termed "very positive" his visit to Paraguay and the meetings held with Paraguayan President Juan Carlos Wasmosy, as well as those with representatives of political parties and the Paraguayan business sector.

Frei traveled to Asuncion on 4 August to participate in the Mercosur summit. On 7 August he began an official visit to Paraguay.

Frei was accompanied by a group of 30 Chilean businessmen as well as Chilean Foreign Minister Jose Miguel Insulza, Economy Minister Alvaro Garcia, and the vice chairman of the Production Development Corporation (CORFO).

### Navy Commander Assesses Civilian-Military Relations

*PY0808152295 Santiago EL MERCURIO in Spanish 26 Jul 95 p C2*

[FBIS Translated Text] Navy Commander Admiral Jorge Martinez Busch yesterday asserted that civilian-military relations work even when there are natural disagreements, that are typical of a society.

Adm. Martinez met with President Eduardo Frei at Government House yesterday to brief him on his visit to Argentina. After the meeting Martinez was asked about the demonstration by Army officers outside the Punta Peuco military prison. He declined to make any comment.

On the subject of tension in civilian-military relations, Adm. Martinez said relations are working. He added: "Sometimes there are differences of opinion but this is only natural in society."

He said civilian-military meetings are held in different places, such as specialized forums, adding that there is nothing that could create problems "or give the sensation of a problem."

Adm. Martinez said is it not good to create differences among Chileans, or among civilian and military men. He added: "We are all Chileans. The conduct and the attitude of military men are different due to the work we do, but we are all Chileans."

Regarding the reconciliation, Martinez said this is a personal process that should be done by looking to the future. He said: "It is important to look to the coming years. Unfortunately, the past cannot be brought back and I deeply respect those affected."

Asked if the Navy will participate in the reconciliation process, Martinez said the Navy is ready to participate in the development and progress of Chile.

Regarding a proposal by Supreme Court President Marcos Aburto to create a vicariate in the church to help solve the detained-missing cases, Adm. Martinez said this could be a way because it involves the conscience of people.

### Interview With Defense Minister Perez Yoma

*PY0808142895 Santiago LA TERCERA DE LA HORA in Spanish 30 Jul 95 pp 24-27*

[Interview with Defense Minister Edmundo Perez Yoma by Maria Eugenia Oyarzun in Santiago on 28 July — quotation marks as published]

[FBIS Translated Text] [Oyarzun] Have the past 16 months been very rough?

[Perez Yoma] No, but I have grown a few more grey hairs....

[Oyarzun] Have some worrisome signs surfaced following the Supreme Court ruling on the Letelier case?

[Perez Yoma] Yes, the current situation in the military world is worrisome. The government has said so, and I believe the situation is objectively delicate.

[Oyarzun] Why?

[Perez Yoma] A gathering such as the one in Punta Peuco cannot be ignored. It is not a matter of minimizing or magnifying the issue, but of viewing it for what it is.

[Oyarzun] Why do you think the Punta Peuco incident is something delicate?

[Perez Yoma] Because it is the classical way the military personnel let the civilians know about a determined attitude. To go around trying to determine whether they broke the rules or disciplinary code is like turning a blind eye. This was an organized meeting of many Army officers designed to reflect a determined state of mind, and that is something delicate.

[Oyarzun] Do you think it was more serious due to the importance granted to it by the politicians, government, the various media sectors?

[Perez Yoma] No. That fact must be taken into account, seriously, but no more than that. I suspended my trip to the United States; I have been really concerned about the subject, but it is not a matter of magnifying it. Now then, if these incidents happen again, they will not only be delicate but serious.

[Oyarzun] Don't you think that the reaction by the media and politicians to the Punta Peuco incident may lead more than one among civilian and military personnel to believe the military enjoys great rallying power?

[Perez Yoma] That would be serious, but I believe that the chances of an "uprising" or demonstration, aside from those for timely issues by the Chilean Armed Forces, are unlikely because the command is not being questioned.

[Oyarzun] Is it true that during the past few weeks you had talked about resigning?

[Perez Yoma] No, I never thought about resigning.

[Oyarzun] Is it true that you and Interior Minister Carlos Figueroa have had serious disagreements?

[Perez Yoma] No...definitely not.

[Oyarzun] You don't sound very convinced....

[Perez Yoma] The significant differences between ministers are those regarding viewpoints. There has been a lot of speculation. I believe that the political team, as a whole, is incredibly united; it shares coinciding viewpoints. Any disagreements the people may have detected refer to the roles we play. I am in charge of relations with the Armed Forces and must convey their feelings to the government. The interior minister, in turn, is in charge of the Armed Forces' relations with the Coalition of Parties for Democracy [CPPD]. In this sense, each one conveys to the government the different viewpoints. Moreover, I have to find out what happens within the CPPD, and Figueroa what happens within the Army. But we have worked incredibly well. I don't know where those rumors come from.

[Oyarzun] Are you referring to the government's relations with the CPPD and the military? Which would you say are the most difficult — the relations with the military or with the CPPD?

[Perez Yoma] We are talking about two different types of relations. Contacts with the Armed Forces are institutional, hierarchical. The relationship with the parties entails policies, convincing people, and, therefore, takes more time.

[Oyarzun] Have the political leaders risen to the occasion?

[Perez Yoma] I believe there has been some haste and that, definitely, losing control and anxiety are very poor company for politicians, especially in times of crisis. Initially there was some haste in trying to find a prompt solution to a problem that does not have an immediate solution. At one point we had 25 different proposals.... This is why the government, before assessing the subject carefully, wants to create a climate of tranquillity, peace, and harmony in order to be able to study all the propositions because each of them has some contribution to make for the future drafting of a concrete formula. This should be done once the necessary climate of peace and tranquillity exists to carefully find, free of anxieties, a definite solution to a problem that has existed for many years now.

The lack of communication between the civilian and military powers is not a 10-, 20-, or 30-year problem; it is a much older and complex problem. For many years now the civilians have not understood the military properly, and vice versa.

[Oyarzun] Do you mean to say that the politicians still do not understand the military after 17 years of a military regime?

[Perez Yoma] Although a large part of the country appreciates and shares the military government's achievements, military personnel have still not been accepted as members of our society. There is still a great lack of communication, and this is very notorious.

[Oyarzun] General [Augusto] Pinochet said that military personnel are very different....

[Perez Yoma] He is not the only person who has said that. Those who study and write about military personnel describe them as a different group due to their education and training, as well as the way their career develops, with transfers, living in military compounds, a bit isolated. This is the same throughout the world. But the Chilean society tends to forget that. One of my great frustrations is not being able to explain to the military the problem of the relatives of the arrested-missing when they realize they have no chance of finding out what happened to their relatives, although they are convinced they are dead. It has to do with the Jewish-Christian tradition of finding and burying the bodies.

[Oyarzun] Does this worry you?

[Perez Yoma] Yes, because as long as we are unable to find a solution to the problem, though we may approve the laws we want or do whatever we are engaged in, that problem will continue to exist. In Argentina the military has made all sorts of gestures regarding the problem of the missing. A few days ago, however, I read that Argentine Army Commander [Martin] Balza said he thought a reconciliation will still take a long time.

On the other hand, I also find it difficult not being able to explain to the politicians and civilians why the military personnel are anxious and experiencing the current mood. I would like to explain to them why the Army feels harassed, misunderstood; they do not understand why, for one reason or another, they are constantly being judged.

Despite the efforts of the political leaders to reaffirm that this does not affect the institution as such, that what is involved are problems concerning individuals, the political discussions always end up attacking the Army. This is why the military feels misunderstood, harassed, involved. Not being able to explain all that to one or another party makes me feel very frustrated.

[Oyarzun] How would you explain the current situation to the people, to the relatives of the arrested-missing, as well as to the Army, which complains that it is receiving a double-standard treatment and asserts that General [Manuel] Contreras was condemned by the people before being sentenced by the court?

[Perez Yoma] I don't think Gen Contreras was condemned by the people who had a clear opinion about him a long time ago. Gen. Contreras was sentenced by the court, and that is quite clear.

I believe the problem, explanations notwithstanding, is how to create permanent channels of communication between the civilians and the military so that they may understand and comprehend each other. And this cannot be achieved through a speech, a declaration, or a law. It has to do with an attitude that leads towards a true reconciliation that requires a great effort from all Chilean sectors: civilians, military, politicians, church officials, legislators, intellectuals, and the media. On Friday [28 July] the president said something I think is exactly what we should do. If we want to reach an understanding, we must create the appropriate climate that takes into account all the parties involved with a national spirit and our minds set on the future. We must all ponder our mistakes and solve our problems of the past, but with our minds set on the future.

[Oyarzun] Do the statements by the Party for Democracy (PPD) and the Socialist Party (PS) contribute to this?

[Perez Yoma] I wouldn't say the statements of the PS and the PPD alone. Unfortunately all sectors have made comments.

[Oyarzun] Also the Christian Democratic Party (PDC)?

[Perez Yoma] Yes, as well as sectors of the Army or people who say they represent it. The first thing we must do is stop all these statements, in compliance with President Frei's appeal to create an appropriate climate to solve this problem.

[Oyarzun] How are your relations with the Army commander?

[Perez Yoma] I have always made a point of maintaining them at an institutional and hierarchical level. They are of an institutional nature because it is the defense minister who is talking with the commander in chief of one of the forces. I set aside any personal viewpoint; I am a minister of state addressing a person who is the commander in chief of one of the defense institutions. From this viewpoint, the relations have been extremely fluid, organized, and permanent. In this sense, I can say that not a week goes by — except when traveling — without my getting in contact with the commander or deputy commander of each of the branches of the Armed Forces. Therefore, the contacts are extremely fluid, prompt, and open. This has contributed tremendously to solving and tackling the problems we face.

[Oyarzun] According to a publication, when you went to Lo Curro military club on 1 June at the invitation of General Augusto Pinochet, you reportedly saw the other face of the Army, the harsh remarks of some generals. Were you surprised by that attitude?

[Perez Yoma] Before I took this job, I knew very little about the Army. But then I decided to get to know our Armed Forces. Therefore, I paid visits to garrisons, units, and bases. Although I believe there are things I still don't know, I feel I learned a lot. Therefore, very few things can surprise me. One of the things I like, because of the way I am, is precisely the harsh, frank, and real treatment. The meeting held in Lo Curro military club was a valuable experience from any point of view because, although it is true that the proposals made were very realistic, and even rough, they were made with a great deal of respect and objectivity.

[Oyarzun] Is it true that you asked for General Videla's "head"?

[Perez Yoma] That is not true.

[Oyarzun] According to reports, General Pinochet reportedly asked the officers of the Santiago Garrison not to go to the Punta Peuco military prison just to have a "picnic." Was that request made by General Pinochet?

[Perez Yoma] That was only a report. I don't know if he asked or not. But it seems to me that a new coordinated visit by active duty officers to Punta Peuco would really aggravate the current situation.

If we turn Punta Peuco into a site for demonstrations instead of creating the appropriate environment that was requested by President Eduardo Frei, we would be doing exactly the contrary. Therefore, I don't believe that is the way of handling things.

[Oyarzun] The Army wants the Amnesty Law enforced without an investigation of the crimes. Ex-President Patricio Aylwin, however, sent a letter to the Supreme Court to propose what was called the "Aylwin doctrine" in the sense that the law should first find the guilty parties, prove their participation in the crimes, and only then enforce the Amnesty Law. Would you advise President Eduardo Frei to send a letter to the judicial branch in this regard?

[Perez Yoma] We are a mature society and each government branch must make the decisions falling within its jurisdiction. There is an Amnesty law; therefore, it is up to the judges to enforce it according to their knowlege and understanding, without pressure from any political leader, no matter how respected. The courts have the unavoidable obligation to enforce the Amnesty Law as necessary. Also, the reasonable thing is to enforce the Amnesty Law in a uniform manner — although in Chile technically there is not an obligation to do so — and not have one judge enforce it in one way and another judge in another way. Unfortunately, under our juridical system, jurisprudence is not an obligation for a judge. I believe, however, that the Supreme Court could make an effort to use uniform criteria regarding the interpretation of the Amnesty Law.

Also, ex-President Aylwin has changed his position regarding the letter he sent to the Supreme Court. But, aside from whether or not Aylwin changed his position, in a mature society every government branch has the obligation to fulfill its duties.

[Oyarzun] Was the government concerned on 26 July when UPI reported the possibility of a coup that made the stock exchange fall?

[Perez Yoma] No, because as we are in very fluid contact with the Army, we know exactly what is happening, and it was never believed something like that would occur. I learned about the UPI report the day after it was published and the rumors died down. No one in the government was worried in the least because we know we can find out exactly whether or not anything is taking place in the Armed Forces.

[Oyarzun] General Jorge Ballerino told us that President Frei has the historic opportunity to resolve the human rights issue and to conclude the transition by leaving Chile looking toward the future. Is this the time?

[Perez Yoma] One of President Frei's important tasks is to conclude his administration solving the problem of lack of communication between civilians and military personnel. This was Frei's goal from the beginning of his administration. This is why military personnel recognize that their relations with this government are the best in a very long time.

[Oyarzun] Can we speak of a kind of new "national agreement" in which all political parties agree on holding a "referendum for the yes vote" on Armed Forces-civilian ties?

[Perez Yoma] I hate to reject any solution "a priori" [previous two words in English]. All of them must be assessed on their own merit. In principle, nevertheless, I dislike the idea because I believe we have all the tools and because Congress is capable of resolving any kind of legal problem without having to resort to a tool that is not included in the juridical order in force.

"If every time we face a given problem we have to look for alternative solutions, we are really creating a kind of escapism."

[Oyarzun] What should be done, then?

[Perez Yoma] We should try to seek solutions on the basis of the established legal order. We have a Congress that works well and that it is capapable of negotiating and finding solutions, and a judicial branch that is oblilged — and I am certain it will do so — to assume the responsibility for interpreting the laws in force. Furthermore, I do not believe this is the proper time to seek a mechanism the realization of which will require a long time. I do not reject it as an idea, but I believe that it will do more to complicate things than to help us.

[Oyarzun] It seems that the Army dislikes the idea of holding a referendum because it fears that it will be politically manipulated and that something similar to the Contreras-Espinoza case will occur.

[Perez Yoma] I do not know the Army's or the Armed Forces' opinion on this issue, but in principle I believe it is a difficult alternative with little viability.

[Oyarzun] What is your opinion about the request that President Frei made to the State Defense Council not to delve into the Valmoval case [financial scandal involving the Army], on which a court ruling had already been issued?

[Perez Yoma] Reasons of state are self-explanatory, but I believe that the president was particularly concerned. He exercised his right to make a request, but in the end it was the State Defense Council that made the final decision. I believe the president had very powerful reasons for making this request because in his capacity as head of state, he must look after all the parties involved. The institution of Armed Forces commander is part of our juridical order. It was not appropriate under any circumstance to continue a situation in which the name of one of the Armed Forces commanders was constantly appearing in the press because of a trial that had already been debated in the Chamber of Deputies three years ago. The trial had been handled through the Comptroller's Office, and after two and a half years, a first instance judge established that there was insufficient evidence to indict anyone. There was no purpose in this. Nevertheless, in view of the coverage that the press gave to the State Defense Council requests, great harm was inflicted upon the image of the Armed Forces commanders. I believe President Frei acted exactly as he would have done under any other circumstance.

[Oyarzun] Do you agree with those who assert that if Pinochet had not been Army commander, we would have witnessed the rise of many "Aldo Rico" [reference to Argentine Army officer who led a military uprising during the Alfonsin administration] types?

[Perez Yoma] I dislike discussing theories, but I believe that General Pinochet's presence and leadership in the Army is very important.

[Oyarzun] Is the PDC [Christian Democratic Party] divided over the issuance of a "law of expiration" in view of the eventual opening of some 1,000 human rights cases?

[Perez Yoma] There is no division over the human rights issue. The "law of expiration" was rejected by all political groups, but there is no division within the PDC on this issue. No one has proposed the issuance of a law of expiration.

[Oyarzun] Do you agree with issuing a "law of expiration"?

[Perez Yoma] I do not agree with the meaning granted to the word "expiration," because it carries the implicit meaning of a "total amnesty."

"Countries must accept their history by looking at the past, that is, they must accept their past, but do do while looking toward the future."

[Oyarzun] Many contend that President Frei does not govern and that he seems absent. What do you have to say about this?

[Perez Yoma] I would tell them to review events of the past few days to establish whether he is governing or not.

[Oyarzun] The president said he was leaving the house in order. Don't you think there might be some dust under the carpet?

[Perez Yoma] What the president said is that the house is always in order.

[Oyarzun] But isn't there "dust under the carpet," such as all those problems that you admit exist?

[Perez Yoma] Those problems are no longer under the carpet; they are quite clear and obvious. Everyone is aware of them and knows they must be solved.

[Oyarzun] In your capacity as minister, have you "smelled a coup" this week, as a foreign press agency reported?

[Perez Yoma] No, no, definitely not. Only a crackpot could have though of that.

[Oyarzun] Are you willing to allow the Armed Forces to reinforce the safety of the Punta Peuco military prison, as is the case in Argentina?

[Perez Yoma] According to the laws currently in force in Chile, all prisons are administered by the National Prison Police, which can reach agreements with or request the services of other institutions, particularly the Carabineros. Therefore, Contreras may be safeguarded by people under the National Prison Police's orders but who do not belong to that institution.

[Oyarzun] If President Frei were to ask you your opinion regarding a possible request to pardon Brigadier Espinoza, what would you advise him?

[Perez Yoma] That we let enough time elapse before studying a petition of this nature.

[Oyarzun] What is "enough time?"

[Perez Yoma] The time necessary for all that we have discussed during this interview to be acknowledged and for the necessary comprehensive climate of pardon to exist so that the head of state may make a choice of this nature.

[Oyarzun] What would you advise the president of the Republic regarding the fulfillment of Gen. Contreras' sentence?

[Perez Yoma] Once Gen. Contreras has left the Naval Hospital, according to Justice Banados' instructions, he must serve his sentence at the Punta Peuco prison.

[Oyarzun] A Supreme Court justice said that Contreras could also "serve his sentence on a golf course."

[Perez Yoma] Right now we have a prison built with the Armed Forces' approval especially for this purpose and we have created the necessary laws. There is no reason why Contreras should not serve his sentence in Punta Peuco under the necessary safety measures. The rest is "all talk."

[Oyarzun] What do you think about Pinochet's meeting with the officers of the Santiago Garrison?

[Perez Yoma] Those meetings are part of his regular activities and are appropriate.

[Oyarzun] Did you ask Gen. Pinochet to appease his troops?

[Perez Yoma] It is not my duty to do so, but I was sure the Army commander would give a satisfactory account of the developments.

[Oyarzun] Have these developments overwhelmed the government?

[Perez Yoma] No.

[Oyarzun] Do you fear an "institutional coup" d'etat [golpe blando], as some have said?

[Perez Yoma] No.

[Oyarzun] Not even an "uprising" [golpe duro]?

[Perez Yoma] Neither an institutional coup nor an uprising. I don't fear anything.

[Oyarzun] Don't you think some politicians have been playing "with fire?"

[Perez Yoma] I repeat what I said before: We are experiencing an objectively delicate situation that requires great prudence and common sense. We must all make an effort to overcome this situation, but I do not fear any uninstitutional outcome.

[Oyarzun] It is said that many politicians use double-talk; they uphold one thing in private and another in public. Have you noticed that?

[Perez Yoma] I'm not going to answer that question.

[Oyarzun] What can you tell the Armed Forces about their salaries?

[Perez Yoma] In compliance with a presidential decree signed late last year or early this year, we have been looking into the possibility of modernizing the military career. We have looked at the subject of salaries, and have almost finished reviewing the Armed Forces organizational law. We have been working with the Finance Ministry, with the minister's personal representative, the personnel department's directors, and under secretaries.

We have been working very quietly, as it should be, in order to be able to propose a readjustment of the salaries, ranks, and assignments within the Armed Forces in a gradual manner within the next four years, such that the readjustment will truly represent an improvement of the current salaries, bringing them to the level of other public servants' salaries.

[Oyarzun] Would you have to resort to taxes for this?

[Perez Yoma] Not in this specific case. But if it were necessary, we wouldn't hesitate to once again specifically ask for more taxes for this.

[Oyarzun] Are you aware the Armed Forces' salaries are low?

[Perez Yoma] Of course I am aware of this. In general, the salaries of public servants in Chile are low. I think this is a problem this government will definitely have to tackle at some point. In a country that grows at the speed Chile does, the best public servants leave. The young people are not at all interested in becoming public servants, and this, in the long term, is a very serious problem. The country will have to realize it needs a small but well paid state. If we want an honest and capable public administration, we must be able to pay salaries that will allow the servants to enjoy a reasonable status. I am appalled by the salaries the public administration pays, and this includes the Armed Forces, which has even fallen behind the rest of the public administration.

[Oyarzun] Could you tell the members of the Armed Forces through LA TERCERA that their situation is going to improve in the short term?

[Perez Yoma] I would tell them that they may rest assured that their salaries will be readjusted.

[Oyarzun] This year or next year?

[Perez Yoma] We want to submit a proposal to Congress before or when the draft budget bill is submitted. But I believe that any adjustment that may be approved will be for next year.

[Oyarzun] What do you think about Deputy Jorge Schaulsohn's comments on the meeting at Punta Peuco?

[Perez Yoma] I do not comment on statements made by politicians.

[Oyarzun] Gen. Pinochet once said that the Army was like a lion that is calm and quiet but reacts fiercely if someone steps on its tail or pulls its hair...or when it is disturbed. Don't you think that, at least recently, the "lion's" tail has been pulled?

[Perez Yoma] Definitely not. I do not think there has been anything of the sort....

[Oyarzun] Not even by PPD [Party for Democracy] Chairman Jorge Schaulsohn?

[Perez Yoma] There has been a discussion, a court ruling that triggered a determined situation, but this ruling must be fulfilled. Nobody has stepped on its tail. Nevertheless, unfortunate statements may have been made by the two parties.

[Oyarzun] During the meeting in the United States, there was a lot of talk, especially by the United States, about a new concept of the Army. Do you agree with this?

[Perez Yoma] No conclusion was reached during the Defense Ministerial held in the United States. It was an exchange of knowledge and experiences. Chile's experience regarding the development of measures to attain mutual confidence between Chile and Argentina and Chile and Peru was given great importance at this event.

The defense ministers of many countries are especially concerned about the Armed Forces' participation in drug enforcement operations. This concern is not shared by the countries of the Southern Cone. Chile has decided that Carabineros and the Investigative Police will be in charge of fighting drug trafficking. The only conclusion and important thing of this event was the unilateral announcement made by the U.S. secretary of defense that all the countries of the continent will periodically be informed about any military operation launched by the United States within the continent. That is a great achievement. Secretary of Defense Perry personally phoned to inform me about the results of the meeting and to congratulate me on the participation of the Chilean delegation, which he termed very positive and brilliant. He also phoned to accept the invitation I had extended to him to visit Chile in March 1996.

[Oyarzun] There are rumors that Fidel Castro will be invited to visit Chile in October or November. It that true?

[Perez Yoma] No. The reason for that rumor is the fact that in October 1996 Chile will host the Ibero-American summit. It is quite likely that Castro will attend that event.

[Oyarzun] Don't you think the Armed Forces will find it hard to pay honors to Castro?

[Perez Yoma] Chile wants to belong to the international community and host an Ibero-American summit. Traditionally we have always been very hospitable and polite. Courtesy and valor are not mutually exclusive.

### Air Force To Install Attache in Moscow

*PY0808131295 Santiago LA TERCERA DE LA HORA in Spanish 20 Jul 95 p 13*

[Article by Hernan Garcia M-C]

[FBIS Translated Excerpt] The close, consistent, and growing ties between the Chilean Air Force (FACh) and its Russian counterpart will be further strengthened in the next few months. The Defense Ministry has decided to install an Air Force attache in Moscow.

Although the identity of the officer who will assume this relevant mission abroad has not yet been formally announced, LA TERCERA DE LA HORA has learned that he could be Air Force Colonel Alejandro Korolkov Bernard, precisely because of his Russian descent and because his forefathers were Cossacks. Korolkov currently serves at the Air Force Social Welfare Service. [passage omitted]

### First Chilean Satellite To Be Launched From Russia

*PY0808235995 Madrid EFE in Spanish 2100 GMT 8 Aug 95*

[FBIS Translated Text] Santiago, 8 Aug (EFE) — The Chilean Air Force (FACh) today confirmed that the first Chilean satellite, "Fasat-Alfa," will be launched into space on 28 August from the Russian aerospace base Plesetsk.

The FACh disclosed that the Russian Space Forces (FCR) had confirmed the date on which the satellite will be launched from this base, which is located 170 km from Arkhangel'sk in the Russian Federation.

The Fasat-Alfa satellite was ready for shipment on 24 July in London, where it was built, and will arrive by air in Plesetsk.

The satellite will be transported aboard a Russian aircraft together with the joint team from the FACh and the University of Surrey in Britain, which will be in charge of attaching it to the main satellite, the "Ucraniano Sich-1," the first from the Republic of Ukraine.

Approximately 10 days before launch the Fasat-Alfa will be attached to the Sich-1, and after the corresponding tests have been carried out it will become a single unit formed by the Sich-1, the Fasat-Alfa, and the Tsyklon rocket that will carry the two satellites into space.

Five hours after being launched the Fasat-Alfa will separate from the Ukrainian satellite, and one hour later it will cruise over Santiago, which is when the FACh ground tracking station will establish first contact with the space probe.

The FACh has disclosed that contact will be established when the satellite detaches from the Sich-1.

A group of scientists, engineers, and experts from the FACh and from the University of Surrey are working at the tracking station in Santiago. They will be in charge of switching the system on.

The Fasat-Alfa was built thanks to a joint project between the FACh and the Space Sciences Department of the University of Surrey.

The satellite, 80 centimeters in diameter, will be installed in a polar orbit at a height of 800 km, and will be used for the FACh communications program. It has an estimated six-year life span.

The satellite will moreover be used for the program designed to study the ozone layer, for an educational program that will allow schools to communicate directly with the satellite, for improving Chilean communications, and for taking photographs of the Earth.

According to the FACh the launching of the Fasat-Alfa is the first in a program to launch four satellites into space.

### Editorial Warns Against Delaying Decisions for NAFTA

*PY0808212395 Santiago EL MERCURIO in Spanish 6 Aug 95 p A3*

[Editorial: "Trade Negotiations"]

[FBIS Translated Text] The postponement in submitting to the U.S. Congress the request to join NAFTA and the Mercosur [Common Market of the South] proposals has raised concerns about important economic goals. It has been learned that the debate in the House of Representatives to authorize the fast track treatment has been postponed, and that there is no fixed date for the Senate's decision. Congressional approval may therefore be delayed for several months in view of the upcoming U.S. presidential campaign. It has also been learned that the Mercosur proposal refuses certain terms unless some substantial changes are made. Furthermore, and despite the EU's willingness to associate itself with Chile, there are no plans to implement preferential trade measures or lift tariffs.

The option is, therefore, to continue to wait for the outcome of these treaties or to unilaterally promote integration with international markets. The high expectations centered around joining multilateral markets cannot continue to justify stagnated tariff rates. Business groups have also expressed some uneasiness over these negotiations, and the situation of traditional agriculture has deteriorated even further. Traditional agricultural groups have requested that custom tariffs be lifted on inputs and equipment. Finally, surplus exports and their impact on the exchange rate also justify the adoption of independent decisions, such as decreasing custom tariffs to improve competitiveness and increase the demand for currency.

Five years have elapsed since administration officials renounced the adoption of autonomous trade policies for the implementation of bilateral and multilateral agreements. At the time there was expectation over the signing of overall free trade agreements that would promote Chile's economic insertion into the rest of the world. In view of this there were those who promoted the idea of keeping the tariffs in force, in order to be able to reduce them during the negotiations over reciprocal concessions. This position, which was not that exact, may have made some sense in view of imminent agreements. Apparently the possibilities for achieving these agreements were exaggerated, while the difficulties were overlooked.

Business groups remain cautious about multilateral negotiations; while they promote them as part of the economic opening process, they condition their open support for these agreements to the achievement of more specific results. In view of this they have avoided making a commitment to NAFTA while the fast track remains unapproved. This also explains the acceptance of the resignation of the coordinator who had been appointed by the Confederation of Production and Trade, over a possible disclosure of the position of business groups. He has been succeeded by another distinguished professional with longstanding experience in economic negotiations and vast connections in production sectors.

The search for multilateral agreements must continue. It is inappropriate, however, to create false expectations or to restrict the commercial opening process to the holding of exhaustive and complex negotiations whose terms are not known, and which depend a great deal on foreign factors that may take a long time. International negotiations must therefore be placed in a more realistic context, and not continue to delay the adoption of domestic measures that strengthen trade integration with the rest of the world.

## Colombia

### President Meets With Sectors To Form Unity Government

*PA0908014995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 9 Aug 95*

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Attention, big changes are coming in the government of President Samper. Following meetings he held today and those he will hold tomorrow with different social leaders, ministerial changes are expected with the representation of all sectors.

The meetings held today between President Samper and the church, labor unions, and the economic groups of the country, have paved the way for the conformation of a national unity government against violence factors. This decision means, in fact, the removal of most ministers who currently accompany President Samper.

Different political sectors, civic group leaders, and businessmen will be represented in the new cabinet. The new government which will be defined tomorrow, following other meetings the president must hold, will center on national security.

### Government Involvement With Drug Traffickers Discussed

#### U.S. 'Not Exerting Pressure'

*PA0908045595 Madrid EFE in Spanish 0259 GMT 9 Aug 95*

[FBIS Translated Text] Santa Fe de Bogota, 8 Aug (EFE) — Colombian Prosecutor General Alfonso Valdivieso said today that the U.S. Government is not exerting pressure on him and will not be able to do so either in his investigations on the infiltration of drug traffickers into Colombian politics.

"No foreign government is exerting pressure," the prosecutor said in a speech before the Senate, in response to congressmen who said the current investigations in this regard are the result of U.S. pressure.

Valdivieso said he is honored by the public recognition given to him by U.S. officials, but this will not affect his independence.

He also said the Prosecutor General's Office is not participating in any conspiracy and does not feel it is a victim of any plot in response to groups saying that his office his plotting against Colombian institutions.

According to Valdivieso, there is no institutional crisis in Colombia and the fact that the justice system is acting cannot be described that way.

The investigations conducted by the Prosecutor General's Office have adversely affected several congressmen and officials from President Ernesto Samper's liberal government. Statements made by certain persons accuse the president of having financed his 1994 electoral campaign with drug trafficking money.

Antique dealer Santiago Medina, who was the treasurer of Samper's campaign and has been under arrest for the past two weeks, accused the president of having authorized the acceptance of contributions from the Cali Cartel.

Valdivieso, a liberal like Samper, told the senators that the Prosecutor General's Office conducted its investigations without political motivation, without expressly mentioning the ruling party or any other party.

The prosecutor general also said he has no proof that Interior Minister Horacio Serpa, who appeared before the Senate with him, is heading a campaign to conceal the alleged contributions of the drug traffickers, as several congressmen said during the debate.

### Open Rejection of Drug Trafficking Seen

*PA0808043595 Santa Fe de Bogota Inravision Television Cadena A Network in Spanish 0130 GMT 8 Aug 95*

[From the "AM/PM Newscast"]

[FBIS Translated Text] About the latest incidents, the prosecutor general said today the image of an effective justice is the best bet against narcotrafficking. According to him, society is beginning to see today that the idea of obtaining easy money is not the best way.

Prosecutor General Alfonso Valdivieso believes developments over the past six months in Colombia transcend mere captures. He believes the general situation at this time has served to prompt among society an open rejection of narcotrafficking:

[Begin Valdivieso recording] The effort being made by the state, government, and justice institutions is a necessary response at this time to confirm a social attitude in the face of the narcotrafficking phenomenon; thus, I believe Colombia will have rid itself of narcotrafficking in a few years, although some narcotrafficking activities may persist in the country. [end recording]

The other point is easy money. For the prosecutor general the image of an effective justice is the best example for a society that up until now believed that was the advisable path:

[Begin Valdivieso recording] The most important thing is that society has reached the conviction that easy money is not the most advisable path. This is so, especially in the face of the possibility of achieving through one's own effort an improvement of one's own personal development or that of the community. [end recording]

### Samper Taped Conversation Revealed

*PA0908021395 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 9 Aug 95*

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Were it not for the fact that the country's political crisis is adversely affecting the peace and tranquility of all Colombians, we could say that we are watching a soap opera in which a drama is developing and gaining a higher rating.

Today's scandal has to do with the existence of a tape recording revealed by SEMANA magazine, whose participants are Elizabeth de Sarria, the wife of an alleged drug trafficker, and presidential candidate Ernesto Samper.

This is an excerpt of the tape recording:

[Begin recording][De Sarria] How are you doing?

[Samper] Thinking about you. How about you?

[De Sarria] I am doing well.

[Samper] Have you thought about me, dear?

[De Sarria] Yes, of course. How can I not think of you if I love you very much. Do not buy any presents for the woman because I have the present ready.

[Samper] Is that true?

[De Sarria] Yes, but do not say a word.

[Samper][Words indistinct]

[De Sarria] You already bought it?

[Samper] No, no, no.

[De Sarria] Do not buy it because I ordered a ring with a very beautiful diamond.

[Samper] You are so sweet. Listen darling, come tomorrow.

[De Sarria] I cannot, they are not going, they are ready, they have already arrived.

[Samper] I cannot do without you, my love.

[De Sarria] Ernestico, please do not [words indistinct]. Only ten minutes. They came for sports activities [ellos estan de sport]. They came from Brazil. They came for sports.

[Samper] Who are they exactly?

[De Sarria] They are the presidents of the Interbank, okay. Remember the people I spoke to you about the other day? They came from Brazil. They are from the Philip Morris. They are super, super, super good people. [end recording]

### Communique Denies Veracity of Tapes

*PA0908023795 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 9 Aug 95*

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] The administration reacted today to the existence of a tape recording with a communique in which it speaks of a climate of moral intimidation by the drug traffickers and the editing of a tape after it was recorded. Here are the most significant portions of that communique:

After the publication in SEMANA magazine of some tapes which include alleged conversations by President Ernesto Samper, the administration declares that:

1. The circulation of these tapes one year and some months from the time during which these events supposedly took place demonstrate that, as announced a few days ago by the chief of state, there is clearly an intent by drug traffickers to create a state of moral intimidation.

2. From the facts included in those tapes one reaches the following conclusions:

A. It is obvious that the telephone call originates with Santiago Medina, who obviously has an intimate and business relationship with the female speaker. To pretend to affirm that the same relationship exists with the president merely on the evidence of colloquial expressions is totally absurd.

B. That a meeting between the candidate and the persons therein mentioned never took place.

C. That money from illegal activities was never offered.

D. At the date of the alleged conversation, Mrs. Sarria and her husband were not under investigation.

E. The candidate rejected the jewel mentioned in the recording.

Furthermore, the communique states that this is clearly a tape edited to make it appear as if a meeting, which never took place, had taken place, and that a certain amount of money was received.

## Arias Denounces Plot Against Samper

*PA0908021995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 9 Aug 95*

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Today, the Senate plenary meeting centered on the country's institutional crisis. Speaking before Prosecutor General Valdivieso, Interior Minister Horacio Serpa and senators from all parties examined the current situation of the country and blamed certain sectors.

Although the speeches by attackers and defenders of President Samper in the Senate amounted to over 15, the dominant criticism came from the president of the Conservative Party National Directorate.

[Begin Jaime Arias, president of the Conservative Party National Directorate, recording] The country demands that Dr. De La Calle speak up, that he either defend the president or resign. Where is Dr. De La Calle? What is his position? Did he stage a different campaign or did the same money pay for the campaign expenses that took them to victory for a small margin.

There is some sort of plot within the Liberal Party. I don't know if it is a conspiracy or not; I don't know what to call it, but there is a plot against the government, against President Samper.

I had never seen Colombia so humiliated. They have treated us like the smallest of the banana republics. They have treated us like a petty miserable country. Why should Ambassador Frechette come here and tell us what is good and what is bad? [end recording]

Jaime Arias also stated he is not concerned over his party's continuation in the government, because, according to him, the focus of the Conservative Party is set on 1998.

## New Defense Minister Esguerra's Policy Viewed

### Outlines Strategy on Drugs, Guerrillas

*PA0908042695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1730 GMT 8 Aug 95*

[From the "Colombia 12:30" newscast]

[FBIS Translated Text] Defense Minister Juan Carlos Esguerra has announced he will act firmly against guerrillas and drug trafficking. This is what he told reporters today at his first news conference.

In the midst of a tense atmosphere, the new defense minister today visited Narino Palace for the first time and pledged to defend Colombia from drug traffickers and guerrillas.

[Begin Esguerra recording] I want to exercise the office of defense minister as part of the world of law. Law must also use instruments of force to get the mission done, but that is part of the law. The important thing is to do it within the framework of legal provisions. [end recording]

Observant of the law, the minister defined his own way to confront guerrillas.

[Begin Esguerra recording, in progress] ...regarding public order guarantees, regarding the all-out struggle against drug trafficking, regarding the search for peace through instruments of dissuasion and persuasion with the guerrillas. [end recording]

The new minister announced today he will begin a coordination effort with his predecessor Fernando Botero Zea and next week will assume office.

Juan Carlos Esguerra, who was a member of the National Constituent Assembly for the National Salvation Movement, led by Alvaro Gomez Hurtado, is a prominent jurist more than a politician. The new minister of defense is considered the father of the petition for protection system in Colombia, because when he was a member of the National Constituent Assembly, he was one of the main promoters of the legislation. He is a member of the Liberal Party and holds a law degree from the Javeriana University, where he currently serves as dean.

He is married to Juliana Miranda Londono and has three children, two boys and one girl.

Juan Carlos Esguerra was included on the list of three candidates from which the current prosecutor general of the country was elected. He also served as state counselor, dean of the National University, former deputy communications minister, and deputy juridical manager of the Agrarian Bank. The new minister is 42 years old and has announced he will assume office next week.

### Comments on High Command

*PA0908035395 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 9 Aug 95*

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Amid the current state of affairs, the well-known and prestigious jurist Juan Carlos Esguerra accepted the position of new Defense Minister. Until recently, Esguerra was the dean of the Law School of the Javierana University, and was recently chosen as state counselor.

In his first news conference, the Minister of Defense Juan Carlos Esguerra announced that his advent did not mean that the Armed Forces high command will have to be removed.

[Begin Esguerra recording] The military career must in all cases be respected. This indicates that it has a promotion, permanence, and eventually, a retirement system, and these will all be implemented according to the manner in which they are established and conceived in its laws and regulations. [end recording]

Referring to the case of Gen. (Alvaro Velandia) who was awarded a medal on Friday amid the annoyance of a certain sector of society because the Attorney General's Office had asked for his dismissal for finding him responsible for the disappearance of an activist of the M-19 [19 April Movement], Minister Guerra said:

[Begin Esguerra recording] I do not want to talk about what occurred in the past. However, I do want to make it clear that the law, the constitution, and all that is established therein, will be fully and completely enforced. [end recording]

The new minister did not reveal what the priority of his administration would be. Regarding this, he said he expects to receive instructions from President Ernesto Samper.

### Former Defense Minister Discusses Resignation

*PA0308150395 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 3 Aug 95*

[Interview with former Defense Minister Fernando Botero Zea by Fabio Callejas at Botero's Santa Fe de Bogota residence and by Dario Arizmendi and Judith Sarmiento in the studio; from "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Callejas] We want to thank Fernando Botero Zea for accepting this visit by Caracol network. Good morning, the first question is related to the news conference you hosted yesterday; rather, the statement you read to the news media. As you were getting ready to make the official announcement of your resignation, you received a call on a cellular telephone. We hear it was President Ernesto Samper Pizano, who was telling or advising you not to resign. What did the president really tell you? Did you at any time consider canceling your decision? Good morning, Mr. Fernando Botero.

[Botero] Good morning, Fabio, Dario. The truth is that something really unusual happened in the midst of the news conference. It was moment of tension and expectation. All the military commanders were present, and so were local and foreign reporters. I began by greeting General Zuniga, the commander, the commanders of the army, etc. I was starting to make the announcements, and suddenly I said I was going to read the letter of resignation I was tendering to the president.

When I had already started to read the letter, Marta Patricia, my secretary, got close to me carrying a cellular telephone. My wife was telling me: call if off! call it off! I thought I was [words indistinct] call it off! call it off! I had no idea what was happening. I had to leave the podium and talk to my secretary. She told me the president was on the telephone.

I picked it up, and I had the chance to talk to President Samper. He kindly and generously asked me not to resign, to call off the news conference, to say there had been a change of mind or anything. I explained to him the decision had been made, and the best thing for the country, the government, and me, personally, was to tender my resignation.

[Arizmendi] Why had you not told the president of your decision to make your letter of resignation public?

[Botero] I had talked with the president some days ago about the possibility of resigning, in order to be able to cope with this process and defend the president and defend his actions, as well as mine, during the campaign. At that time, no decision was made at the time to make the letter of resignation public.

[Arizmendi] Had you made up your mind to resign after you held that meeting on Tuesday with your cabinet colleagues, Government Minister Horacio Serpa and Justice Minister Nestor Humberto Martinez Neira?

[Botero] I did meet with them, but to analyze the general situation of the country, the aspects involving this case in particular. During the meeting, we did not discuss formally my resignation. This was a topic I discussed with the president, as soon as I returned from the Williamsburg conference. I had the opportunity to hold several conversations with President Samper. The decision, from the personal standpoint, had been made. What happens, Dario — and this has surely happened to you — when you make a very difficult decision, you feel a great internal peace afterward and you can carry it through with some ease.

[Arizmendi] Excuse me for asking, but why did you fall?

[Botero] Why did I resign?

[Arizmendi] Yes.

[Botero] There is a difference. Why did I resign? I resigned because I feel, Dario, the country cannot have a part-time defense minister. The situation in the country is extremely serious from the standpoint of public order. The challenge of the war on drug trafficking continues. The Cali Cartel has not yet been totally dismantled. Many cartels still exist in Colombia.

Then there is the armed subversion situation and common crime, which cause great concern. The post of defense minister is decisive for the country, and we cannot have a defense minister who has to spend half his time explaining and making statements to the media and, of course, to judicial authorities. We need a full-time defense minister, so I thought it was my duty to the country not to remain in that post and facilitate this process.

[Arizmendi] Based on that argument, Mr. Minister, do you not think other cabinet members, who must also face the Supreme Court, should tender their resignations? The Prosecutor General's Office has already notified its delegations to proceed with their investigation to determine whether or not there is merit enough to begin formal proceedings.

[Botero] No, I do not think that is necessarily so. At this time I would say, as I have on several previous occasions, that I am in a position to answer to the prosecutor general and provide all necessary explanations regarding the campaign, regarding the activities of the president, the campaign's high-ranking officials, and my own actions. I think that my resignation will facilitate that.

[Callejas] Mr. Botero, there are those who maintain that your resignation was prompted by the unfortunate outcome of the news conference. Others say it was because of Medina's statements, which were very damaging. Yet others believe your actions during the campaign will be difficult to explain. What is your opinion?

[Botero] I do not think of any of these three things in particular. I believe that being out of the government will give me greater freedom, more time, and a better chance to defend the government, defend several ministers, and explain the actions during the campaign and during our administration. I find that to be the main reason for resigning and not limiting the country to a part-time defense minister. Instead, the country should be allowed to have a full-time defense minister, to which it is entitled, working on the very serious public security situation the country now faces.

[Arizmendi] With the event now in the past, sir, what happened at the news conference? You seemed confused for a moment. You began to explain the anonymous documents and where they had come from, but then you glanced over at the government minister almost as if you were begging him for help. What was going on inside you at that time?

[Botero] Not at all, Dario. I looked over to the government minister, because I learned about the anonymous documents through him. I did not receive the information directly myself. He got it before me, so I thought he could provide more information about it. That was all. This sort of thing happens all the time. I learned about the documents or anonymous notes after Mr. Horacio Serpa.

[Arizmendi] Why did you not follow the rules, as some say and as several columnists published? Why did you have to explain the anonymous document, if that is what it was?

[Botero] It is an anonymous document, but it is clearly a summary of Mr. Santiago Medina's deposition. The fact that it is anonymous does not deny the fact that it contains information that would seem to be a true reflection of depositions made in an enquiry. That is one reason. A second reason is that we held a meeting the previous evening, during which we had agreed on the need to deny these statements, because they are nothing more than an enormous fallacy against the country. That is what I have begun to do today. Given the fact that statements from that enquiry had already been published in the country's major newspapers, you can understand why it was so important for the country to hear, as quickly as possible, that the deposition is void of credibility; that it contains absolutely imprecise and false information; that the country could not believe in an action that was directed solely at dragging high-ranking public personalities through the mud, starting with the president of the Republic.

[Arizmendi] What did you feel, what went through your mind when you read the excerpts published by EL EXPECTADOR yesterday from Santiago Medina's deposition and the full text published today by EL TIEMPO? Where do you think this scandal will end?

[Botero] Dario, you are right. EL EXPECTADOR published excerpts and now EL TIEMPO has published the complete text. I think the country now knows why it was necessary to start, as early as Monday during the news conference, rejecting these statements one by one. These are very serious affirmations. They are very compromising and they cast doubt over many public personalities. The important thing, though, is for the country to understand the following: First, the person making these statements carries no credibility whatsoever. He has demonstrated this with his acts. Second, what he is saying is impregnated with the most obvious falsities and the most obvious misrepresentations. This is what the country must realize and feel assured.

[Arizmendi] Now that you have lost the immunity you had as a cabinet member and that you can submit yourself to the regional justice or perhaps, a faceless judge, have you considered who will defend you?

[Botero] I have obviously thought about it, but thus far I have not made any decision. This is my first day as an ordinary citizen and looking for a lawyer will be the first task I will undertake. I am not a lawyer; therefore, I need a lawyer to help me understand this entire situation. However, I do not have a guilty conscience and I am prepared to defend the government and President Samper, and this will surely be my mission in the future.

[Arizmendi] Are all the statements made by Santiago Medina false?

[Botero] Many of his statements are false; others are half-truths; and others are (?truths). Obviously, there is some truth involved. The true portion of his testimony does not point to any irregularity whatsoever, or any fraudulent or criminal action. However, there are half-truths amid those true statements, and especially, there are huge lies and false arguments, which the country must learn about in due time.

[Arizmendi] Everyone wants to know to what extent and how much drug-related money was able to infiltrate the presidential campaigns.

[Botero] As far as I know, the Prosecutor General's Office is investigating this matter. I will not discuss any details on this topic because it will be part of the inquiry. What I want to stress here is that if such infiltration is confirmed, the country must know that if it ever took place, it was entirely against the instructions given by the president and his campaign's top managers. In other words, if this action is confirmed, I can assure anyone it did not take place with the consent, but on the contrary, it was against the precise instructions given by President Samper.

[Callejas] EL TIEMPO published the transcripts of Medina's inquiry, in which he asserted that you were aware of everything and that you even sent him to Cali to pick up some money.

[Botero] That is entirely false, and I will prove this later. This remark, as well as many other remarks by Santiago Medina are huge lies. This is precisely what we will try to prove now: that these statements are not true, and that on the contrary, President Samper's conduct has always been honest and irreproachable from an ethical angle and that he conducted a campaign with the objective of setting up the most strict financial controls.

[Sarmiento] Last night, you said that your biggest mistake was to appoint Santiago Medina as campaign treasurer. If it is true that members of the Gaviria campaign told members of the Samper campaign to be wary of Medina because he had obtained some suspicious funds during Gaviria's campaign, why did you appoint him treasurer?

[Botero] At that time, we did not have certain information. President Gaviria and President Samper met, but it was after Medina had been appointed. We did not have this information in advance. Very prominent Colombians recommended and gave outstanding references on him, and at that time, he had a successful record with regard to financing political campaigns. He had been treasurer of the New Liberalism Foundation and the campaign of Luis Carlos Galan, a very honorable and honest man. He had also been the treasurer of the Liberal Party and had held many other positions as treasurer, and in all these instances, his conduct had been quite positive.

Then, we did not really have any information that contradicted what I have mentioned to you, and if there was a telephone call by President Gaviria to President Samper, I am not aware of what they discussed, and it took place after Medina's appointment.

[Arizmendi] How do you view the attitude and conduct displayed by Santiago Medina: his lying, slandering, and perjuring to the detriment of prominent Colombians, beginning with the president himself?

[Botero] I do not truly know what drove him to do what he did. Perhaps, there will be an explanation for this later on. I cannot judge him.

What I can say, and I reaffirm this, is that neither President Samper nor the campaign director at that time gave any authorization to accept money of doubtful origin; quite the contrary, during the campaign we established ethical and administrative controls to prevent as much as possible the infiltration of ill-gotten money into the presidential campaign.

[Callejas] Dr. Botero, you are criticized for having revealed, during the news conference, a list of persons in order to smear them. In fact, Dr. Ramirez Ocampo defended himself and pointed out that he could not understand why you mentioned his name when he had nothing to do with the campaign. Was it necessary to list the names that you revealed during the news conference?

[Botero] I was anticipating what we knew was being leaked, that is, we knew that the media would learn about the investigation on Dr. Medina, during which he actually turned on the fan and tried to smear many personalities of national life. I said that there was a strategy to discredit very distinguished figures of national life, and I very adamantly defended the honesty and honor of such persons, including of course, Dr. Augusto Ramirez, who is as you know, one of the most illustrious and distinguished figures in the Conservative Party and a person for whom I have great esteem and admiration.

[Callejas] Dr. Botero, do you think that your resignation will be sufficient to stop charges leveled at high levels of government against former leaders of the Liberal Party's campaign?

[Botero] Before answering, I want to say good-bye because it is already 0800, and I have another commitment. I thank you very much for this opportunity. I think that the important thing is that a person, who was minister of state during the government of President Samper and who occupied a leadership position during the campaign, is precisely in the arena defending the honor of President Samper and top campaign leaders, and giving all the necessary explanations to justice and the country for what has happened in this government and during the campaign.

[Arizmendi] One final detail, Dr. Botero: General Harold Bedoya and Gen. Vergara last night told us they saw Gen. Rosso Jose Serrano shed some tears when he learned about your resignation. We also know that the generals of the republic made the beautiful gesture of solidarity of visiting you at your residence last night, to keep you company. To what do you attribute this feeling of gratitude on the part of the generals of the Republic?

[Botero] I am truly very committed to and very grateful to the distinguished generals of the military forces and the National Police. Dario, in the past year I developed a very strong personal relationship with the generals, with the top leaders, and thus, my admiration is even greater now than on my first day at the Ministry. They are persons who give their all to Colombia everyday and who deserve all our respect and admiration, and at a human level, I consider them to be extraordinary friends.

[Arizmendi] But last night you said that you were the first victim of the Cali Cartel. Is it not somewhat unfair, in the light of that opinion, that a person who managed to capture and achieve the surrender of the most important drug trafficking capos is now facing this?

[Botero] This is a rather paradoxical situation, Dario, because only eight days ago I received in Williamsburg the recognition of U.S. Vice President Mr. Al Gore. He said that President Samper and the defense minister are virtual heroes in the struggle against drug trafficking at the international level, but today I am facing this rather difficult and complicated situation. This is, however, inherent to political life. We will manage to face this with courage and determination.

[Arizmendi] Do these developments, the circumstances, the haste of all this affect your political career?

[Botero] Dario, at this time I am not thinking about any political activity. I am focusing on my defense and that of President Samper and [word indistinct] campaign. We will look into the future after this, but our future does not necessarily have to be in politics, it could be in journalism, for example. We will see.

[Arizmendi] What does your father think about this?

[Botero] I have talked to him on many occasions. He is concerned, but has expressed his solidarity, the family solidarity that we have always enjoyed.

## Ecuador

### Trade Minister Announces Increase of Exchange With Cuba

*PA0708230995 Quito Voz de los Andes in Spanish 1230 GMT 5 Aug 95*

[From "The Voz Andes" newscast]

[FBIS Translated Text] Jose Vicente Maldonado, minister of industry, commerce, and integration, who recently visited Cuba, has said the U.S. blockade against Cuba allows Latin American investors to be competitive in the Cuban market.

Maldonado announced that the trade agreement between Ecuador and Cuba will enable Ecuador to increase its international trade and exchange more than 133 Cuban and 270 Ecuadoran products with 50 and 100 percent tariff reductions.

[Begin Maldonado recording] The truth is that trade with Cuba has been very limited. There have been structural difficulties that have hindered a broader and more fluid exchange with Cuba. I am sure that after the agreement has been signed by both countries and now that bilateral facilities and preferences have been granted the trade exchange will expand.

I would like to underline the timing of this agreement with Cuba. It was signed at a moment in which Ecuador is making important changes in its foreign trade policy and economy, and when Cuba is also introducing important reforms to its economy and promoting a growing association with Latin American countries.

I would like to stress the pleasant impression I received during my visit to Cuba. There is a modernization process, a continuing process of structural changes to its economy. The private sector has definite participation, and a clear role is being outlined for private initiative to contribute to Cuba's social and economic development.

It is important to note the decisive participation of the national and international private sectors in tourism and strategic areas such as telecommunications, energy, and hydrocarbons. [end recording]

Maldonado said the Ecuadoran Government will continue to increase trade with Cuba, despite the U.S. blockade on the island. He noted that, due to the blockade, the United States is losing excellent trade opportunities with Cuba, and it wants Latin America to also lose these opportunities.

### Cooperation Agreement Signed With Bolivia

*PA0708203595 Quito Voz de los Andes in Spanish 1230 GMT 5 Aug 95*

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The Bolivian and Ecuadoran Governments have reaffirmed their willingness to intensify bilateral cooperation to achieve full integration. This was stated in the final document issued after the second meeting of the Mixed Binational Commission, which took place in Santa Cruz de la Sierra during the past two days.

The meeting was headed by Jaime Aparicio and Marcelo Fernandez de Cordoba, Bolivian and Ecuadoran deputy forein ministers respectively. During the meeting, an agreement was reached to promote programs of cooperation in all areas, including basic economy and culture, as well as tourism, health, education, transportation, mining, agriculture, and the troubling drug trafficking problem.

### Economist Reports No Significant Economic Achievements

*PA0708225795 Quito Voz de los Andes in Spanish 1230 GMT 6 Aug 95*

[From "The Voz Andes Newscast"]

[FBIS Translated Text] According to Washington Herrera, one of the most prominent Ecuadoran economists, the third year of Sixto Duran-Ballen's administration has left little economic growth and the stagnation of inflation.

The government does not have any significant achievements to report, he said, in evaluating the work of Duran-Ballen's cabinet. He predicted that foreign and national private investments will be paralyzed as a result of the electoral campaign during the last year of Duran-Ballen's administration.

Herrera was the government minister during Rodrigo Borja's government and is also a former top official of the Cartagena Accord. He is now engaged in professional activities.

## Paraguay

### Agreements Reached During Chilean President's Visit

#### Wasmosy, Frei, Sign Joint Communique

*PY0808154495 Asuncion ABC COLOR in Spanish 8 Aug 95 p 2*

[FBIS Translated Text] Paraguayan President Juan Carlos Wasmosy and Chilean President Eduardo Frei yesterday signed a joint communique at Government Palace in which the two presidents commit themselves to eliminate corruption, "convinced that this scourge weakens democracies and the legitimacy of democratic institutions, that it is a factor of social disintegration, and that it perverts the economic system."

The two presidents expressed satisfaction at a resolution issued by the OAS General Assembly in Haiti in June assuming an obligation to participate in a special conference convened to examine an Inter-American convention on corruption.

The two presidents also ratified their governments' decision to fight "the terrible consequences of drug trafficking" and committed themselves to support a world conference on narcotics and an Inter-American convention on money laundering.

The presidents expressed satisfaction over the agreement to begin a program to prepare negotiations for the Americas Free Trade Area (AFTA) which seeks to progressively eliminate trade and investment obstacles and which is scheduled to conclude in 2005 at the latest.

Wasmosy thanked his Chilean counterpart for his invitation to participate in a conference in Santiago on 18 and 19 January 1996 within the framework of the Miami heads of state and government agreements, to study actions and areas of cooperation in an attempt to eradicate poverty and discrimination in the hemisphere.

The presidents agreed that negotiations between Mercosur [Common Market of the South] and Chile contemplate a free trade agreement and that efforts toward Chile's full incorporation will continue.

The presidents reiterated their concern, as expressed at the Rio Group as well as at the Latin American Economic System, over the negative impact of volatile capitals on economies in the region and stressed the need to establish mechanisms to create a more stable and predictable international financial system.

They consider it necessary to reinforce the consistency and efficiency of international financial institutions, to promote the orderly development of financial markets, and to ensure a greater availability of IMF funds.

Wasmosy reiterated his government's intention to use the facilities granted by Chile at the ports of Antofagasta and Iquique to continue to insert the country in international markets.

The Chilean and Paraguayan presidents ratified the agreements on multilateral bi-oceanic land corridors signed during the meeting in Arica last April and congratulated themselves for implementing multilateral work groups to address the issue in which, initially, only countries attending that meeting will be represented.

The presidents concluded by expressing satisfaction over the agreements signed by the transport and public works ministers and authorities within the framework of the Third Interparliamentary and Entrepreneurial Conference of the Southern Cone in Cuiaba (Brazil) last July.

#### Investment Protection Agreement Signed

*PY0808183795 Asuncion ABC COLOR in Spanish 8 Aug 95 p 2*

[FBIS Translated Text] Chile will protect its investments in Paraguay worth nearly $4 million. Industry and Commerce Minister Ubaldo Scavone and Chilean Economy Minister Alvaro Garcia yesterday signed an agreement for the reciprocal promotion and protection of investments. Paraguayan President Juan Carlos Wasmosy and Chilean President Eduardo Frei Ruiz-Tagle participated in the ceremony at Government House. The diplomatic agreement will now be sent to Congress for a definitive approval.

The document signed yesterday afternoon has 11 articles. Article 3 deals specifically with the promotion and protection of investments. This article establishes that each country will encourage investments in its territory by entrepreneurs of the other country. Each country will also protect, within its territory, the investments made by investors of the other country in accordance with internal laws and regulations.

Article 6 deals with expropriation and compensation. This article says that neither of the two countries will adopt any measure to directly or indirectly deprive investors of the other country of their investments unless the following conditions are applicable of fulfilled: a) The measure is adopted for reasons of public, national, or social interest and in accordance with the law; b) the measures are not discriminatory; and c) the measures are accompanied by dispositions for the payment of an immediate, adequate, and effective compensation.

The agreement on reciprocal protection and promotion of investments is one of the conditions established by foreign entrepreneurs to invest in one of the two countries, independently of the political stability, adequate juridical framework, and cheap labor and energy that a country might have.

Horacio Nogues Zubizarreta, Paraguayan ambassador to Chile, said that Paraguay, with investments close to $4 million, is in fourth place in importance in the Americas for Chilean investors. Argentina is in first place, second is Peru, and Colombia is in third place. "This is worth noting because it is the first time we have been in such a high position on the list of Chilean investments. And we believe Chilean investments will continue to grow," the Paraguayan diplomat said.

Nogues said that a group of Chilean and Swiss entrepreneurs is interested in building a cellulose plant in our country, involving an investment of approximately $250 million.

### Interparliamentary Group To Be Formed

*PY0808190595 Asuncion ABC COLOR in Spanish 8 Aug 95 p 8*

[FBIS Translated Text] Chilean and Paraguayan legislators yesterday signed a declaration recommending the Congresses of the two countries to create the Paraguayan-Chilean Binational Interparliamentary Group and to promote, at the initiative of the Paraguayan Congress, the incorporation of the Chilean Congress, as an observer within the joint Mercosur [Common Market of the South] Parliamentary Commission.

Legislators announced the signing of the document at the end of yesterday's honor session at Congress to receive President Eduardo Frei. The document says the creation of the Paraguayan-Chilean Binational Interparliamentary Group will help to strengthen bilateral relations and encourage mutual congressional cooperation.

Another point of the document expresses the need to support the objectives and activities that the Latin American Parliament is development in the area of regional integration, particularly the study, with Rio Group heads of state, of the creation of the Latin American Community of Nations.

The declaration is signed by Senate President Milciades Rafael Casabianca; Senator Carlos Alberto Gonzalez, president of the Senate Foreign Relations Committee; Chamber of Deputies President Juan Carlos Ramirez Montalbetti; Deputy Martin Sannemann, president of the Chamber of Deputies Foreign Relations Committee; and Gustavo Candia, Chamber of Deputies First vice president. On behalf of the Chilean Congress the document was signed by Carlos Dupre, Chamber of Deputies Foreign Relations Committee president; Senator Alberto Cooper; Senator Nicolas Diaz; and Deputies Ramon Fuentealba and Felipe Valenzuela.

### Taiwanese Trade Delegation Arrives on Visit

*OW0808103595 Taipei CNA in English 0837 GMT 8 Aug 95*

[By L.K. Hsian and Lilian Wu]

[FBIS Transcribed Text] Asuncion, Paraguay, Aug. 7 (CNA) — A Taiwan trade delegation arrived here Monday [7 August] for a nine-day visit.

The 30-member delegation of representatives from Taiwan manufacturers will meet with Paraguay Government officials Monday through Wednesday and then travel to La Ciudad del Este to inspect the industrial zone there.

The 40-hectare industrial zone hopes to attract 70 plants with a total investment of over US$100 million, and is expected to create 7,000 jobs in Paraguay.

This is the third Taiwan group to inspect the industrial zone. Some 40 Taiwan businesses have already signed contracts to construct plants there.

## Peru

### Land Law To Prevent Return of Large Landed Estates

*PY0808115795 Lima EL PERUANO in Spanish 16 Jul 95 p A3*

[FBIS Translated Text] Agriculture Minister Absalon Vasquez Villanueva said yesterday that the Land Law approved at the congressional plenum on 13 July will not allow the return of the large landed estate system because the acquisition of vast territorial zones larger than 3,000 hectares will be subjected to payment of a staggered tax.

By way of commenting, he said that, for instance, no one would like to own territorial zones larger than 3,000 hectares on the coast because modern agriculture requires investments higher than $5,000 or $6,000 per hectare.

He stressed the fact that the measure should respect the concerns regarding protection of the environment in the case of the forest land, establishing that although there will be land sales, certain areas will not be sold but only granted as concession.

Regarding the rule established in the Land Law that members of the peasant communities will be able to decide whether they want to be owners of their vast territorial zones, he said that it complies with demands on the part of the peasant communities of the coast, in particular.

After expressing his doubts that this situation could be repeated in the mountain region zone due to the community spirit prevailing in the zone, he said: "On the coast there are many phantom communities, and the peasant communities that do exist either work individually or in a family manner. That is, the rule only deals with an already existing situation."

He added that the Land Law protects and guarantees the rights of the communities from the forest area who are used to moving from one place to another within their territory. He said that the staggered tax payment does not affect these communities, nor those of the mountain area.

Finally, he expressed his desire that the law on water, which supplements this law," be approved by Congress before the end of his term in office.

Congressman Carlos Torres y Torres Lara (Change 90-New Majority) said that the Land Law takes into consideration the extension of the country's agricultural frontier, which so far includes only 6 percent of the overall national territory.

"We want more of the land to be exploited, and for the desert to become productive land, a situation which had not been achieved before because the agricultural law did not provide an impetus for the exploitation of vast territories that can now be exploited thanks to technology," he said.

He concluded by explaining that the staggered tax payment by those who acquire more than 3,000 hectares does not affect the cooperatives that currently own land.

### Privatization, Other Oil Industry Notes

*95SM0444A Lima CARETAS in Spanish 13 Jul 95 p 21*

[From the "Mar de Fondo" column]

[FBIS Translated Text]

#### 1. There Are Already 35

Like the biblical passage concerning the multiplication of the loaves, the president of Petroperu [State Petroleum Agency] announced that there are already 35 proposals concerning the privatization of this enterprise, rather than the 23 that were submitted initially. The official presentation of all of these proposals has been scheduled for 1730 hours this Thursday, 13 July. The meeting will become quite heated when the Association of Students of the Center for Higher Military Studies (ADECAEM) presents its proposal, which calls for selling only 49 percent of the enterprise.

This proposal will be presented by Vice Admiral Manuel Ramos and Oswaldo Chueca. It is based on the study made by the consulting firms Merrill Lynch and Prisma—hired by Emilio Zuniga—which point out that only $70 million in investment capital is needed at the refineries and in the oil fields—capital of which the enterprise has an abundance.

#### 2. Chevron

The flow of millions of dollars for the massive exploration that is constantly being predicted for the petroleum sector is yet to materialize. Alberto Bruce, president of Perupetro [as published] and former Oxy [Occidental Petroleum] official, has not yet signed a major contract. There were great expectations with respect to Chevron, which will explore Lot 52, but the comprehensive contract is for $60 million and extends over a maximum period of 17 years. The experts point out that an exploration well in this zone costs approximately $10 million.

#### 3. Occidental Petroleum

Occidental Petroleum has summoned one of its best lawyers to Lima. Oxy Vice President Jorge Perez has arrived from the company's operational headquarters in Bakersfield (California). Although at this moment no details are known concerning new negotiations with Perupetro [as published], it is known that Occidental will return the Talara lot in the Lima Concession Zone on 20 July, 25 years after receiving the concession.

The field had a production of 17,000 barrels per day at the time Oxy took it over. The agreement called for production to be increased to 50,000 barrels by means of the injection of 180,000 barrels of water. Geological faults were encountered, however, and the sand was very dirty (contaminated with earth)—a circumstance that diminished the effectiveness of the operation. The closing figure for production was 3,500 barrels per day.

## Uruguay

### Defense Minister on Williamsburg Defense Summit

*PY0808224895 Montevideo LA MANANA in Spanish 4 Aug 95 p 7*

[FBIS Translated Text] Defense Minister Raul Iturria called a news conference at the Defense Ministry on 3 August to inform the press about several subjects discussed at the Defense Ministerial Meeting of the Americas that he attended in Williamsburg, the United States. "At that summit meeting," he said, "it was agreed that the Armed Forces are an integral part of all countries due to their historical, institutional, and cultural conduct."

The defense minister added: "It was moreover clearly asserted that democracy is the best system of government, that the Armed Forces are subordinate to the rule of law, and that they must be involved in tasks that are specific to the military sphere and act in the defense of human rights, the environment, and national development."

Iturria summed up the conclusions of this hemispheric defense summit in six fundamental points:

— "To uphold the commitments of the Santiago Agreement in the sense that the preservation of democracy is the basis for assuring mutual security."

— "To acknowledge the central role that the Armed Forces play in the support and defense of sovereign democratic states' legitimate interests."

— "To reaffirm the commitments made in Managua and Miami to the effect that our Armed Forces must be subordinated to a democratically constituted authority, must act within the limits of national constitutions, and must respect human rights by means of training and practice."

— "To increase openness in defense matters through the exchange of information about defense outlays and enhanced dialogue between civilians and the Armed Forces."

— "To establish as a hemispheric goal the settlement of outstanding controversies by means of negotiated agreements, and the generalized adoption of measures to boost confidence within a timeframe that is compatible with the pace of economic integration of the Americas."

— "To promote greater defense cooperation to support voluntary participation in UN peacekeeping missions."

The defense minister further stated that these conclusions were achieved "thanks to dialogue and consensus and a shared commitment to strengthening and consolidating our values and democratic institutions. Now we must work together so that those objectives may become a reality," he added.

## Venezuela

### Venezolana Television President Denies Privatization

*PA0708222595 Caracas Venezolana de Television Network in Spanish 0200 GMT 3 Aug 95*

[From "The News" newscast]

[FBIS Translated Text] During questioning by the Newsmedia Committee, chaired by Deputy Manuel Isidro Molina, Venezolana Television President Fernando Miralles, reiterated that Venezolana Television Channel Eight will not be privatized and that the budget necessary to operate in 1996 totals 9.325 billion bolivares. The News Media Committee, in turn, pledged to make an adequate allocation to cover the expenses of public television.

[Begin recording] [Reporter Fernando Porte] The objective of the questioning was to know the financial situation of the station, its budgetary needs, and the quality of its technical infrastructure. Miralles stated that the television station's debt totals 2.08 billion bolivares for domestic and foreign loans. With respect to the technical equipment, Miralles said they are close to collapsing. By way of example, he said only two of the channel's five studios are functioning.

[Miralles] I do not support the privatization of Channels Eight or Five. I feel that Venezuela and all of us have an obligation to have a public television station. We want it to be an option in Venezuelan television. As I have said before, the country owes this to its people. By the same token, as I have said before, just as the country's poorest need a hospital or a school, they also need good television, and the government is the only one that can provide them with it.

[Molina] We totally agree with this television service in order to rescue the country, meaning the rescue of ethics and social discipline, and to improve the quality of education. None of these efforts will be made without the government's efforts in television.

[Porte] Once outside the National Congress, Miralles noted that the television station needs a budget, and that this budget is not a subsidy but a maintenance fee needed to keep the signal on the air. [end recording]

## Guyana

### President Leads Revellers in Emancipation Day Celebration

*FL0808233995 Bridgetown CANA in English 1712 GMT 8 Aug 95*

[FBIS Transcribed Text] Georgetown, Guyana, Aug 8, CANA — President Cheddi Jagan led thousands of revellers swaying to the pounding beat of congo drums in the sweltering heat of the sun at the National Park in the capital Monday as the nation celebrated the emancipation of slaves 158 years ago.

The emanicipation festival, organised by the African Cultural and Development Association (ACDA) attracted thousands of Guyanese from all walks of life and ethnic origins, and had as its theme: "Light a Candle, Sing a Sankey, and Learn Some more about your own and find your own way home."

As the beat of a nationally famous shaka drummers vibrated, President Cheddi Jagan, Prime Minister Sam Hinds, leader of the main opposition Peoples' National Congress (PNC) Desmond Hoyte, and Mayor of Georgetown Hamilton Green joined men in African garb and women in head tie wraps and flowing ankle-length kaftans in enjoying the many evidences of African culture on display at the park.

This year's activities seemed to revolve around the contributions of the African women to the development of black families in the Caribbean. One particular poster inscription prominently displayed at the park read "I am a strong black woman beyond all definition, still defying place, time, and circumstance."

Guyana's sizeable Rastafarian community were very much in evidence at the park in the centre of the capital, displaying artifacts that focused on black legends and notable black personalities like Bob Marley, Ethiopian Emperor Haile Sallasie, and South African President Nelson Mandela. Older folk, too, played a part in Monday's celebrations by being at the helm of spiritual activities including walking on hot coals without being hurt.

President Cheddi Jagan in an Emanicipation Day message said the struggles of our African ancestors to destroy the inhuman system of slavery in our country have always been an inspiration to the nation.

"As we celebrate emanicipation day this year, it is with pride that we look at the courage, the sacrifices, strength and legacy of those ancestors. It is also with pride that Afro-Guyanese can reflect on the long road they have travelled and the contribution they have made to the evolution of the Guyanese spirit," Jagan said.

### Agriculture Minister Discusses Rice Crop

*FL0708001395 Bridgetown CANA in English*
*1525 GMT 6 Aug 95*

[FBIS Transcribed Text] Georgetown, Guyana, Aug 6, CANA — Guyana is expected to produce 300,000 tonnes of rice this year, 47,000 more than last year, industry officials say. Two hundred and twenty thousand tonnes will be sold on the international market.

Officials say the increased crop yield will continue over the next few years and by the year 2,000, rice production should reach the 400,000-tonne mark. They say this trend must continue as Guyana's average yield is still well below that of other rice exporting countries. The United States, for example, has an average yield of 6,000 pounds of paddy per acre, compared with Guyana's 3,600 pounds.

Agriculture Minister Reepu Daman Persaud told CANA that rice exports had been rising steadily. He said about 91,419 tonnes were exported for the first six months of this year, netting U.S.32 million.

"It is, however, a matter of concern that our exporters have been targeting mainly the European market and that during 1994, 80 percent of the rice exported went to this market," Persaud said. He said although Guyana has preferential access to the European market and obtains good prices, exporters must realise there are other markets in the Caribbean Community (Caricom).

"We must develop a strategy that provides for adequate supplies to be exported to the Caricom countries while at the same time accessing the European market," Persaud said, adding that both markets were essential to the rice industry. Rice is cultivated extensively along Guyana's coastal belt and has been one of the major foreign exchange earners for decades.

### Group Delegation, Minister Meet on Manufacturing Sector

*FL0508013895 Bridgetown CANA in English*
*1628 GMT 4 Aug 95*

[FBIS Transcribed Text] Georgetown, Guyana, Aug. 4, CANA — The Guyana Manufacturers Association, (GMA), the umbrella body overseeing the interests of manufacturers in Guyana, has spoken to Finance Minister Bharat Jagdeo about budgetary and other financial problems facing the sector.

A GMA delegation, led by its president Mohabir Singh, told the finance minister that urgent action was needed by government to address urgent issues affecting the manufacturing sector, a statement from the organisation said.

In particular the GMA called for a reduction in the two per cent Minimum Corporation Tax (MCT) and a lowering of the consumption tax from 30 percent to 10 percent, referring to these as a "disincentive to production."

"The manufacturing sector is already burdened by high interest rates, problems at customs and was operating in an environment of poor infrastructure and the absence of an industrial policy," said the GMA, adding that it appeared that little money was circulating in the economy.

Last week, Finance Minister Jagdeo said the economy recorded a growth rate of seven percent for the first half of this year. However, the GMA described growth in the manufacturing sector as "marginal" when traditional exports like rice, sugar, timber and gold were excluded.

According to the GMA statement, the association was "extremely concerned" about the activities of the debt recovery unit. That unit, functioning under the Finance Ministry has been moving to the courts to seize the assets of all the companies with loans in arrears for six months.

While supporting firm action by the unit on those companies who are in default of their loans, the GMA says some cases are "deserving of review". In one case, the GMA noted that a manufacturer's production was halted, among other things, because of the lack of power from the government-controlled Guyana Electricity Corporation (GEC) and delays in getting a standby generator. Even though the manufacturer made payments on the loan as soon as production resumed, a writ was filed by government.

"The actions of the debt recovery unit was sending a signal which was alarming to manufacturers at a time when the GMA is taking steps to help strengthen the sector."

The association was very critical about the operations of the power company as these related to the impact of the current power outages and severe voltage fluctuations on the manuufacturing sector. "Urgent steps must be taken to ensure a reliable power supply," the GMA delegation told Jagdeo.

In addition the organisation said the cost of electricity was extremely high and bulk users, like those in industry, were being charged higher prices than regular customers.

Expressing concern about the future of the crisis-plagued electricity company, the GMA said stability in this area was necessary to promote growth in the manufacturing sector and increase imports.

Minister Jagdeo in turn noted that while the administration was conscious that high interest rates placed a heavy burden on manufacturers, there was little government could do since its agreement with the International Monetary Fund (IMF) did not allow it to subsidise the lending rates.

"Other lending agencies with which we have agreements, have the same policy," the finance minister told the businessmen.

He agreed with their request to be part of the discussions the Guyana government have with the International Monetary Fund (IMF) scheduled for September.

In relation to proposals for lowering taxes, Jagdeo said, "there was litle room for maneuver given the budget deficit which exists and the fact that government expenditure could not be reduced further".

### Soldiers Begin Commando Training in Martinique

*FL0208222395 Bridgetown CANA in English 1956 GMT 2 Aug 95*

[FBIS Transcribed Text] Georgtown, Guyana, Aug 2, CANA — Twenty-eight Guyana Defence Force (GDF) soldiers, including some officers, have started a four-week commando training programme in Martinique. The soldiers, the second batch to undergo training in the French island, are headed by Lieutenant Denzil Carmichael.

A statement from the Army described the Martinique course as one of the toughest in the world, frequently conducted by Foreign Legion officers, and geared to produce commandos capable of conducting seek-and-destroy missions in a hostile aquatic environment.

A contingent of French soldiers, stationed in Martinique, is in Guyana conducting a jungle course at the army's Amphibious Training School at Makouria on the Essequibo River, 80 miles from Georgetown, in the jungle.

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